Austria Sch22	Indonesia Rp3100	Philippines. Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3.50	S.Arabia Rls7.00
Canada .... C$1.00	Italy L1700	Singapore .... S$4.10
Cyprus .... C£0.90	Japan Y600	Spain Pta145
Denmark . DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lebanon ...S£125.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan .... NT$85
Germany DM2.30	Malaysia ... Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong .... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Monday November 7 1988

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EL SALVADOR

Grim outlook for nation of conflict

Page 23

World News

Israel's Labour Party faces split over coalition

Israel's Labour Party faces the threat of being split down the middle following a weekend declaration by Mr Yitzhak Rabin, Defence Minister in the outgoing national unity government, that he favours joining a broad coalition likely to be headed by the Likud. Page 24

Gandhi may call poll

The ruling Congress (I) party, led by Mr Rajiv Gandhi, India's Prime Minster, showed clear signs of preparing for early general elections over the weekend. Page 4

Israel bombs targets

Israeli warplanes raided Palestinian targets east of the port of Sidon in south Lebanon yesterday causing heavy damage.

S Korea protests

Thousands demonstrated in South Korea at the weekend demanding the arrest of former President Chun Doo Hwan and protesting at his failure to respond to claims of corruption and brutality during his regime. Page 4

Hirohito transfusion

Japan's Emperor Hirohito, in the seventh week of his fight for life, was given several emergency blood transfusions yesterday after he lost a huge amount of blood.

Tunisian amnesty

Tunisian President Zine al-Abidine Ben Ali pardoned scores of political prisoners, many of them Islamic militants just before the first anniversary of his coming to power.

Gulf talks stalemate

Iran and Iraq ended a week of Gulf peace talks in stalemate on Saturday, failing to agree on a troop withdrawal or an exchange of prisoners of war.

Glasnost attack

Albania said the glasnost reform policy of Soviet leader Mikhail Gorbachev was helping to spread anti-communist views.

Chadli appoints PM

President Chadli Bendjedid appointed a new prime minister with orders to reform the economy. Page 4

Chernenko move

Former Kremlin chief Konstantin Chernenko's name has been removed from a passenger ship because he has become unpopular with the Soviet people, the government newspaper Izvestia said.

Moscow calls on UN

A senior Soviet official has called for Mr Javier Pérez de Cuéllar, the United Nations Secretary General, to intervene in the Afghanistan conflict, Tass news agency reported. Page 3

China border quake

An earthquake measuring 7.6 on the Richter scale hit the Chinese-Burmese border, but officials said they had no details of casualties.

Mercenaries caught

Indian naval commandos boarded a ship carrying mercenaries from the failed coup in the Maldives. Page 4

Tunnel escape

At least 80 prisoners escaped through a tunnel from a detention camp in south-west Sri Lanka. Most were believed to belong to a Marxist group, whose members are mostly Sinhalese. Renewed violence feared, Page 24

Soviet medical fears

Soviet medical experts are baffled by a disease that has made scores of children bald in western Ukraine. Radiation from the 1986 Chernobyl nuclear, the disaster has been ruled out.

ANC sports plea

The African National Congress, urged South Africa's separate scoocer organisations to work towards a single non-racial governing body for the sport after two days of talks in the Zambian capital of Lusaka.

Business Summary

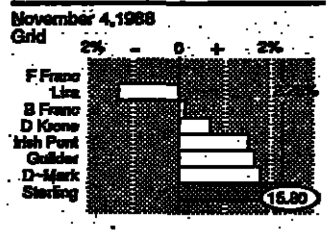
Luxembourg, UK lead fight on Brussels finance rules

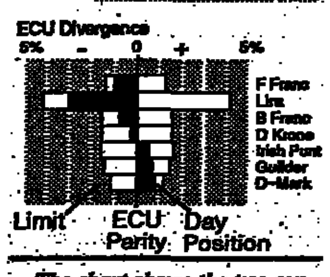
LUXEMBOURG and Britain will today lead the fight at a meeting of EC finance ministers to water down — if not wash away — key aspects of two European Commission proposals for the internal regulation, and external expansion, of Europe's financial services. Page 3

TOKYO share prices on Saturday closed higher on bargain hunting, focusing on steelmakers and asset-backed shares. The Nikkei Index rose 93.50 to 28,046.75. World Stock Markets, Page 43.

EUROPEAN Monetary System: The French franc remained weak within the EMS, but traded quietly, and within its divergence limit. Activity was below average, as some markets were closed for All Saints Day. In addition, most traders were content to remain on the sidelines, until after the US Presidential election tomorrow. The D-Mark was little changed against member currencies, but fell against the yen, to finish close to the record low touched in August.

EMS





The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

JORDAN, gripped by an economic crisis, announced emergency import restrictions aimed at saving $200m a year in scarce foreign exchange. Page 4

LONRHO chief executive "Tiny" Rowland has written to Mr Alan Bond rebuffing the Australian entrepreneur's repeated desire for a meeting following his accumulation of a 20 per cent stake in the British-based multinational. Page 29

MITEL, the Canadian telecommunications firm in which British Telecom holds a 51 per cent stake, has reported a significantly higher income in the second quarter, attributable mainly to extraordinary gains. Page 28

AFRICAN OXYGEN (AFROX), the South African affiliate of BOC International, lifted sales by 26 per cent in the year to September 30 and expects to maintain its earnings growth rate during the current year. Page 28

IMASCO, the Canadian tobacco, financial services and retailing conglomerate, has reported a 15 per cent increase in third quarter income to C$89m (US$73) or 71 cents a share from C$77m (or 61 cents) a year earlier. Page 28

BERGEN BANK, *one of Norway's top three banks*, announced staff cuts and a radical restructuring of its merchant banking activities in a bid to become the country's leading merchant bank. Page 28

NEW JERSEY-based Chubb Corporation, a property/casualty insurer, has raised to 7.08 per cent its holding in Sun Alliance, the UK composite insurer, after buying an extra 1.94m shares. Page 29

CHINA LIGHT and Power, the Hong Kong utility in which the Kadoorie family is the leading shareholder, has reported net profits of HK$1.89bn (US$284.6m) for the year ended September 30, an increase of 9.3 per cent over the previous year. Page 28

NAMPAK, the South African packaging company, raised turnover and profits to record levels in the financial year to September 30 but does not say if it expects buoyant trading to persist. Page 28

French voters back New Caledonia plan but many ignore poll

THE FRENCH Government yesterday secured a four-to-one popular vote in support of its peace plan for the territory of New Caledonia in the Pacific, writes Ian Davidson in Paris.

However, the massive abstention rate in the referendum is embarrassing for the Government, and could undermine the long-term prospects of the agreement.

Despite a last-minute personal appeal by President François Mitterrand, a vigorous campaign by Prime Minister Michel Rocard, and the support of all the major political parties apart from the neo-Gaullist RPR party and the extreme-right-wing National Front, nearly two-thirds of the electorate stayed at home.

The abstention rate, which was 63 per cent according to initial estimates by the Interior Ministry, was a record for any referendum since the war. It heavily overshadowed the symbolic impact of the 80 per cent majority estimated to favour the Yes vote.

In New Caledonia itself, by contrast, the turnout was 63 per cent, according to independent polling institutes.

Opposition parties will claim that the result is a direct rebuff both to the Prime Minister and to the President, although Mr Rocard yesterday was quick to claim that the referendum had been a victory for the Government's policy.

Until this summer, New Caledonia had been increasingly riven by violent clashes between the European and Melanesian communities, over the question of independence.

The violence reached a bloody climax in May, just before the French presidential election, with a military operation ordered by the then Government, which released 23 French hostages held by Melanesian fighters in a grotto on the island of Ouvea, but at the cost of 21 lives – 19 Melanesians and two French soldiers.

The central feature of the Matignon agreement, negotiated in June by Mr Rocard, and incorporated in yesterday's referendum, was that the independence issue would be postponed for 10 years.

For the first year, the Pacific territory would be governed directly from Paris. During the next nine years, local government would be delegated to three provinces. One, in which Europeans would expect a dominant role in the Southern province to include the capital, Noumea, and the other two, the North and the Loyalty Isles in which the Melanesians would expect a dominant role.

In 10 years' time, the independence issue would return in a self-determination referendum to be held in New Caledonia in 1998, but with voting confined to the present electorate or their direct descendants.

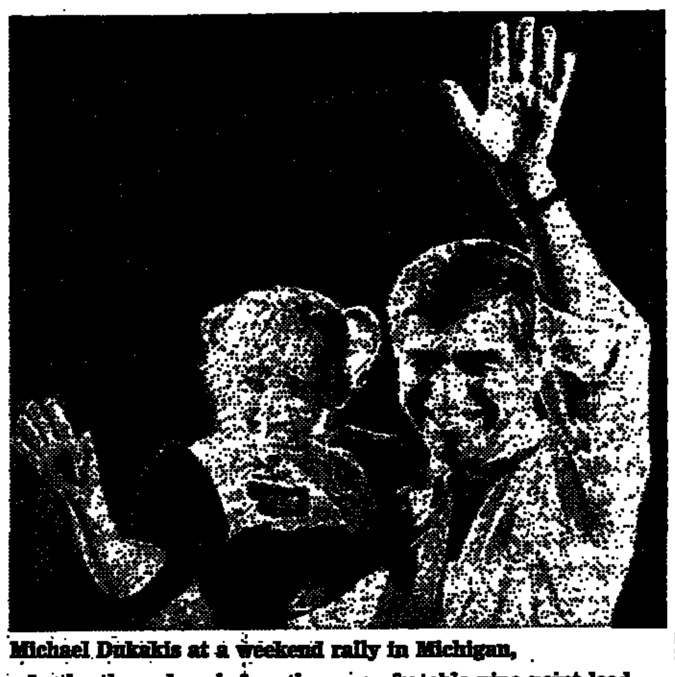
This provision, intended by the Government to ensure that the decision on independence cannot be swung by a politically-motivated tide of European immigrants in 1998, was essential to secure the agreement of the Melanesian community. At present the Melanesians outnumber the Europeans, but fall short of a clear majority; in 10 years' time, Melanesian voters could secure a majority for independence.

Dukakis hopes revive as opinion polls show Bush lead narrowing

By Stewart Fleming in Washington

GOVERNOR Michael Dukakis, the Democrats' candidate for President, is frantically criss-crossing the US in a bid to score an upset victory in tomorrow's presidential election.

His hopes have been bouyed by two new polls, one by CBS News and the New York Times and the other by NBC News and the Wall Street Journal. Both suggest that the fighting populist he has transformed himself into is proving far more attractive to loyal Democrats than the technocrat who declared in July that the election was about "competence not ideology."



Michael Dukakis at a weekend rally in Michigan,

The CBS New York Times poll shows only a slight narrowing of the gap between the Republican and Democratic candidates. Mr Bush's lead is put at 48 per cent to 40 per cent, down from 51 to 38 since the last poll on October 21-24. A new NBC News/Wall Street Journal poll suggests the lead is even narrower – only five points.

"It shews a dramatic change" compared with the 17 point lead for Mr Bush by the same poll three weeks ago, declared Senator Lloyd Bentsen, Mr Dukakis' running mate yesterday. "It is going to be a dead heat," he added, refuting suggestions that the surge is over and the remaining gap is teo wide to close.

Political analysts believe the latest polling data accurately reflects a surge of support for the 55 year-old Massachusetts Democrat. They argue that Mr Dukakis's progress reflects the appeal of his new, class conscious message to traditional Democrats and trade unionists.

But few believe that with only one full day of campaigning left before Tuesday's election he can overcome Mr Bush's immense regional advantage in an election which is ultimately decided on a state by state basis.

In the three days before the election, Mr Dukakis planned to campaign in Illinois, Michigan, Texas, Colorado, Washington state, Oregon, Iowa and California, which account for 153 of the 270 electoral college votes needed to win the presidency.

His voice hoarse from overuse, he is insisting that he and his running mate are "on your side" and against the Republicans on "Easy street ... who have got it made."

But, political analysts maintain, the core of traditional Democratic voters is no longer large enough to carry him to victory, particularly if black voters are as lukewarm to his candidacy as some suggest.

Although Mr Bush's advisers are frantically juggling his schedule in order to visit states where he is perceived to need to shore up his support, they continue to insist that their internal polls show him with a comfortable nine point lead.

Moreover, as Mr Lee Atwater, the campaign manager pointed out yesterday, the battle is being fought primarily in the industrial states of the midwest and northeast such as Illinois, Michigan and Pennsylvania, states which Mr Dukakis cannot afford to lose if he is to overcome the huge geographic advantage Mr Bush has.

The Vice President seems poised to sweep the south and the states of the mountain west which will give him a flying start to the total of 270 electoral college votes he needs for victory.

Democrats are hoping that if he wins Mr Bush will not carry the country by a landslide and that their party may even strengthen its 54-46 majority in the Senate.

Win or lose, Jackson is a problem; Quayle: the invisible candidate: Page 2

Solidarity calls for nationwide protests

By Christopher Bobinski in Warsaw

MR LECH WALESA and the leaders of Poland's banned Solidarity trade union tookthe offensive at the weekend. They called for nationwide protests by supporters to win legal status for their movement, as well as the suspension of last week's decision to close down Solidarity's birthplace, the Lenin shipyard in Gdansk.

Speaking yesterday to a crowd of some 2,000 outside the church of St Bridget, a Solidarity rallying point, Mr Walesa threatened to put the 11,000 employees at the Lenin yard on strike alert if the decision to close the works had not been suspended by tomorrow.

The implied threat was that strike action would follow if the Government, led by Mr Mieczyslaw Rakowski, which has staked its reputation on the closure issue, fails to react. *The decision to call for protests* by the Solidarity leadership came at a meeting in Gdansk on Saturday, soon after Mrs Margaret Thatcher, the British Premier, had met Mr Walesa and his colleagues and made no secret of the fact that her heartfelt sympathies lay with their movement.

At the same time Mr Walesa has refused to meet General Czeslaw Kiszczak, the Interior Minister, for further talks on preparing a round table conference between Solidarity and the authorities until victimisation of around 100 miners involved in strikes last August ceases, and the shipyard closure is suspended.

The round table was proposed by the authorities in the midst of the August strikes and gave Solidarity now faded hopes that it would lead to recognition of the union. Preparatory talks broke down on the eve of Mrs Thatcher's three-day visit which ended on Fri-

Continued on Page 24

Midland close to deal for control of Euromobiliare

By Alan Friedman in Milan and Clive Wolman in London

MIDLAND BANK is at an advanced stage of negotiations to acquire 40 per cent of Euromobiliare, the Milan invest ment bank.

The purchase of this share stake, which would give Midland effective control of Euromobiliare, might be agreed as early as this Wednesday, during a meeting in London between top Midland executives and Mr Guido Roberto Vitale, managing director of the Milan bank.

Mr Ernst Brutsche, the chief executive of Midland's investment banking arm, confirmed yesterday that talks with Euromobiliare and some of its shareholders were continuing. "We are still in discussions, but it is very difficult and I would not say that they are concluded. I do not know whether they will be by Wednesday," he said.

The tie-up with Euromobiliare would be particularly important in promoting Midland Montagu's involvement in cross-border UK-Italy merger and acquisition activity and transnational capital raising, Mr Brutsche said. "We consider Italy as a very important market in the 1990s."

Mr Brütsche would not comment on the proposed relationship with Mr Carlo De Benedetti or Mr Raul Gardini. But he said: "Our policy in Europe has been that we want to have control, but it does not mean that we need 100 per cent."

A Midland-Euromobiliare deal, under which the British bank would probably pay around L90bn ($68m) to raise its stake from 3.14 per cent at present to around 40 per cent, would catapult Midland into the forefront of Italian finance.

Given the fact that Euromobiliare is among Milan's best known investment banking institutions, the move would also be the most significant by a British clearing bank into Italy to date. Among the other main UK commercial banks, Barclays Bank has a loss-making Milan corporate banking and leasing/factoring operation while National Westminster is a partner with Credito Italiano in Creditwest, a modest-scale Italian bank.

The publicly quoted Euromobiliare is under the effective control of a troika of Italy's best known entrepreneurs: Mr De Benedetti, Mr Gardini and Mr Silvio Berlusconi.

The deal being negotiated would see these three Italians, who together control 45 per cent of the bank, selling the bulk of their shares and remaining with symbolic minority stakes. A shareholders' control syndicate could then guarantee 51 per cent joint control between Midland and local Italian shareholders, including Euromobiliare management.

Although Euromobiliare had a difficult 1987, the bank, founded 15 years ago by Mr Vitale, is acknowledged to be among the more dynamic institutions competing in Italy with Mediobanca, the secretive merchant bank that is the market leader for corporate business. Samuel Montagu, the predecessor of the Midland-Montagu investment banking arm of Midland, first bought a stake in Euromobiliare in 1975.

For Euromobiliare an alliance with Midland would offer a window on international capital markets that could benefit Italian companies seeking to raise funds. For Midland the deal could place it ahead of its British competitors in Italy in the run up to the liberalisation moves linked with the single market in 1992.

Bonn coalition faces split on Daimler-MBB merger

By David Goodhart in Bonn

A NEW round of damaging conflict within the West German centre-right coalition Government now looks likely over the controversial Daimler-Benz takeover of aerospace group Messerschmitt-Bölkow-Blohm which had been expected to receive final cabinet endorsement today.

The parliamentary group of the liberal Free Democratic Party, the junior partner in the coalition, is likely this morning to reject the existing terms of the takeover on free market grounds. This is despite the *fact that Mr Martin Bangemann*, the FDP chairman until last month and the current Economics Minister, has been one of the architects of the deal.

Opposition to the deal is based partly on dislike of the huge concentration of industrial might that it involves and partly dislike of the generous state support Daimler-Benz will receive to cover the risks associated with the European Airbus project. MBB is the West German shareholder in the four-nation Airbus Industrie consortium.

The FDP has always been uneasy about the takeover but the likelihood of conflict over the issue has been increased by a sudden hardening in the posi*tion of Mr Otto Lambsdorff*, the new FDP chairman. Having previously expressed distaste for the deal but scepticism about alternatives, he is now stressing only the drawbacks.

Mr Lambsdorff is probably seeking to distance himself from Mr Bangemann and to assert the higher profile in the coalition for the FDP that he promised when elected chairman.

Although FDP opposition in the cabinet is unlikely to prevent the deal being approved, further opposition was yesterday voiced by the Daimler-Benz group works council. Mr Herbert Lucy, chairman of the council, said that association with the defence industry would adversely effect the core automotive business and added that union representatives on the Daimler board would oppose the takeover. The MBB works council has also opposed the merger.

CONTENTS

THE MONDAY INTERVIEW

Victor Rice, president of Canada's Varity Corporation spells out the strategy which saved his company from its disastrous dependence on the ebb and flow of a solitary market.

Student suspected of starting computer virus

By Louise Kehoe in San Francisco

A COMPUTER science graduate student at Cornell University, whose father is a senior US government computer security expert, is suspected of being the author of the computer virus program that wrought havoc throughout US computer networks last week.

The "virus" program replicated itself over and over, spreading through widely-used computer networks, and eventually overwhelming an estimated 6,000 computers at universities, defence and government research centres and some corporate research laboratories on Wednesday and Thursday, causing a temporary shutdown of computers and dozens of research centres.

The virus program left no clues as to where it came from, but fellow students at Cornell University have identified Robert Tappan Morris Jr, a 23-year-old graduate student, as a suspect.

Cornell University officials said that a search of computer files had revealed that files belonging to Morris held unauthorised passwords for computers at Cornell and Stanford Universities and a list of passwords "substantially similar" to those in the virus.

Cornell University officials identified Mr Morris as the son of Mr Robert Morris Sr, chief scientist at the National Computer Security Centre in Bethesda, Maryland.

According to fellow students at Cornell, Robert Morris Jr created the virus program as an experiment and did not intend to cause problems.

Invisible candidate follows a lonely campaign trail

By Lionel Barber in Timonium, Maryland

IN THE final days of the presidential campaign, Senator Dan Quayle has become the invisible candidate.

Sightings of Vice President George Bush's youthful running-mate are rare and inevitably occur in unpopulated places: Stillwater, Oklahoma; Owensborough, Kentucky; and Gaylord in Otsego County, Michigan, where Mr Quayle's jet was the largest ever to land at the local airport.

Faced with overwhelming polling evidence that Mr Quayle is hurting the Republican ticket, the Bush campaign strategy is to put him in front of small, friendly crowds, and limit the damage. In a race that appears to be tightening slightly, no news is good news in the view of the Republican camp.

All this is very frustrating for the 41-year-old junior senator from Indiana, as the Democrats like to describe Mr Quayle. Over the weekend, as his campaign ambled through safe Republican territory in the outer Baltimore suburbs in Maryland, the frustration occasionally surfaces.

"It would not make a difference whether I have two or 16 events," said the senator, explaining his sharply-scaled-back travel schedule, "the American people are voting for the top of the ticket and George Bush."

Wait a minute. This is the young man Mr Bush plucked from relative obscurity last August and proclaimed to be an exciting new choice, a symbol of the future who could appeal to younger voters and boost the Republican ticket.

Those hopes vanished when the US press discovered that Mr Quayle, a self-proclaimed hawk on military matters, had avoided combat in the Vietnam War by securing a hard-to-get position in the Indiana National Guard. Suspicions arose that he used wealthy family influence. While much of the story was known, it took on new life in the national arena, especially when coupled with a mediocre academic record and his gaffe-prone manner. Mr Quayle fast became a figure of ridicule.

This seems a little unfair because, as he revealed during a lengthy interview with the Financial Times late last year, Senator Quayle has used his eight years in the US Senate to learn something of the intricacies of arms control policy. At that time, he was opposed to the US-Soviet treaty eliminating medium-range missiles. He was realistic enough to concede that the Senate would ratify the treaty, but he hoped his pressure for amendments would improve the final shape of the treaty, a course which proved correct.

The senator can also deliver a thoughtful address on future US foreign policy, as he showed in a speech to the Los Angeles World Affairs Council in September.

Yet such elevated talk is a rarity on the Quayle trail, if only because his advisers ("handlers") are hard-bitten characters, who have no desire to take risks.

And so Mr Quayle, speaking under overcast skies on Saturday, is forced to talk about "Mike Dukakis weather". As the rain pelted down, the Senator produced more memorable epithets for the Massachusetts governor, calling him "Mr Taxman, Mr Furlough, Mr Polluter, Mr Weak-on-National-Defence."

The reporters covering Mr Quayle are driven to distraction by such inanities. They amuse themselves with jokes such as "What is the difference between a chicken, a turkey and a Quayle?" Answer: None. Recently, the senator joined in, asking the lady from Time magazine her favourite Quayle joke. It was the Kubrick movie about his Vietnam war days, Full Dinner Jacket. Mr Quayle blushed.

The question which the Republican camp faces is whether Senator Quayle's presence on the ticket could tip the balance against them in a tight race. So far, this prospect has appeared remote, because Mr Bush has generally held a solid lead of around eight points in the national vote, with a much bigger cushion in the Electoral College. The Democrats are desperate to close the gap and exploit the Quayle factor.

On Saturday morning, Senator Quayle spoke of "nervous Nellies" at Bush headquarters looking at polls showing the race growing closer. He might have said more, but his wife, Marilyn, and his three children, Tucker, 15, Benjamin, 12, and Corinne, 9, were waiting on board the campaign plane.

"Thank you, senator," said the handler, and with those words the Republican candidate for the vice presidency of the US disappeared.

Colombian minister sacked

COLOMBIAN President Virgilio Barco, in an effort to avoid total confrontation between the armed forces and leftist guerrillas, removed Defence Minister General Rafael Samudio Molina from his post on Saturday, AP reports from Bogota.

The action came 36 hours after the defence chief made a dramatic call for "up to the last soldier in the army" to launch an offensive to destroy the insurgency.

The president named General Manuel Jaime Guerrero Paz, second in the military hierarchy, as the new defence minister.

There was no official explanation for the action, but political analysts said Gen Samudio Molina's decision to offer a "military response" to an unprecedented offensive by the guerrillas that has killed hundreds of soldiers, police and civilians was a clear confrontation with Mr Barco.

Brazilian payments up to date

Brazil, the Third World's biggest debtor, has brought the interest payments on its commercial bank debt up to date for the first time since early last year, Reuter reports from Brasilia.

The Central Bank said on Saturday that Brazil had paid \$3.76bn (£2.12bn) to Citibank in New York. The bank said \$1.76bn had come from Brazil's international reserves and the other \$2bn formed part of interim funding agreed by banks last November.

Liberals hold lead in Canada

Canada's opposition Liberals hold a slight lead over the ruling Progressive Conservatives with just two weeks left before the November 21 federal election, according to a new public opinion poll, Reuter reports from Ottawa.

The survey, released on Friday night, said the Liberals had the support of 40 per cent of decided voters against 37 per cent for the Conservatives and 20 per cent for the left-leaning New Democratic Party.

The poll, conducted during the past week by Toronto-based Insight Canada Research among 1,101 eligible voters, said 16 per cent of the electorate remained undecided.

Guerrilla attack blacks out Santiago

Guerrilla attacks on power lines caused a blackout late on Saturday evening in six regions of central Chile, including the capital, Barbara Durr writes from Santiago. The Manuel Rodriguez Patriotic Front (FPMR) claimed responsibility for the attack.

The attack was timed to recall the triumph of the opposition exactly a month ago in the national plebiscite, the FPMR said.

Yesterday, Chile's national labour union organisation, CUT, met thousands of workers in a demonstration to protest against the labour policies of military ruler General Pinochet. Labour union activity has been severely restricted under the military regime.

Win or lose, Jackson is a problem for Democrats

Roderick Oram on the former Chicago preacher

MARCHING up Michigan Avenue in a torchlight parade shortly before an election is a deeply symbolic ritual for Chicago's fractious Democrats. It is the moment they briefly lay aside their bloody hatchets to rally round their presidential candidate.

Never was their power more evident than in November 1960, when Jack Kennedy led the parade. Mayor Richard Daley loved to boast that the gloriously Irish-American event ignited a fire under Kennedy's campaign. With help from Daley's efficient machine ("vote early-vote often"), it ensured he carried the city and thus Illinois, the state that tipped the scales in his victory.

Seeking the same magic, Mr Michael Dukakis came to town last Friday night. He got his rapturous rally in the end, but only after local Democrats devised a formula for accommodating the Rev Jesse Jackson, once a local preacher, now a national politician and party problem.

Some, running for local office in Cook County, said publicly his appearance would cost them white votes. Others countered that to ban him would lose them support among incensed blacks.

The solution was to make it a show of national unity by inviting Messrs Simon, Gore, Babbitt and Jackson, who all lost to the Massachusetts governor in the primaries.

All four turned up to march but nobody had the nerve to tell Mr Jackson until Friday morning that he could not speak to his home-town crowd at the following rally. "It was worked out between Cook County and Boston," he commented icily.

Many in the national party wish they could so deftly deflect the challenges Mr Jackson's colour and strong liberal views pose. Either way he plans to have a big say – in government if Mr Dukakis wins on Tuesday, in reshaping the party if he loses.

Confrontation was contained at the party's summer convention by offering Mr Jackson a prime-time platform to propound his vision of a just and caring nation. "Many of us run the tape of that speech time after time," said Mr Idrees Farouk, a Chicagoan who was first inspired by the preacher 25 years ago at a Selma, Alabama, civil rights meeting.

The Dukakis team also promised him an all-expenses-paid role in the autumn campaign and seats on the Democratic National Committee. But relations quickly chilled when Mr Dukakis's advisers tried to tell Mr Jackson which states to visit and which to miss for the sake of voter sensibilities.

The Rev Jesse Jackson hinted he would run for president in 1992 if Mr Dukakis lost Tuesday's election, Reuter reports from Chicago.

"If Dukakis loses on Tuesday, the next political season will begin on Wednesday," Mr Jackson, runner up for the Democratic nomination, told the Chicago Sun Times."

With the media's attention turned to the candidates, Mr Jackson dropped quickly out of sight. "Where's Jesse?" the Republicans taunted. Actually, he was zooming around the country in a corporate jet far more comfortable than his battered primary plane. The party will be picking up a \$1.8m (£1m) tab.

But for all his energy at voter registration drives and other meetings, he always seemed to damn Mr Dukakis with faint praise – and only late in his speeches.

The polls rapidly showed that black support for Mr Jackson would not turn automatically into votes for Mr Dukakis. Whereas Mr Walter Mondale had won 91 per cent of black votes in his hefty 1984 defeat, Mr Dukakis was heading for less than 75 per cent.

Finally, a month ago, Mr John Sasso, the Dukakis campaign manager, tried to stop the rot, reportedly by appealing to Mr Jackson's ego about his influential role on the national scene. Now they talk almost daily on the phone.

Mr Jackson sprang back into the news with impassioned defences of himself, liberalism and Mr Dukakis in that order. He claims he has travelled more miles, given more speeches and registered more voters than any other Democrat, including the candidate. In particular, he has criticised southern governors and senators for lacking his commitment to the campaign.

Cynics say he saw the advantage of coming on strong. By playing his role to the hilt he could escape blame for a Dukakis defeat (or win praise for a victory), which in turn would enhance his power within the Democratic National Committee. For example, Mr Ron Brown, his highly able convention manager, is likely to run for chairman of the committee in next February's elections.

From that power base, the Jackson workers want to broaden the party's franchise by drawing in the disadvantaged, such as the poor, blacks, hispanics and women. With such a coalition they believe the party, perhaps even Mr Jackson, could win the White House in 1992.

The strategy horrifies many other Democrats. They believe the party can only win if it neutralises Mr Jackson and moves to the centre.

The more subtle insist it is not a racial fight but an ideological one, against a return to government activism in American life.

But there is no denying the racial dimension. A recent Wall Street Journal/NBC poll found that 61 per cent of white voters from both parties do not want him to run again for the presidency. Fully 67 per cent of blacks say he must fight again.

The first skirmishes in this war which will shape the Democratic Party in the 1990s will come hard on the heels of the election. Win or lose, the meeting of state party chairmen in 11 days will be the kind of bare-knuckle fight relished by Chicago's Democrats.

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Luxembourg and UK lead fight on EC finance rules

By David Buchan and William Dawkins in Brussels

BRITAIN and Luxembourg will today lead the fight at a meeting of EC finance ministers to water down – if not wash away – key aspects of two European Commission proposals for the internal regulation, and external expansion, of Europe's financial services.

The finance ministers will try to break the deadlock on the Commission's 1982 proposal to harmonise the way prospectuses for share and bond issues are written in the 12 Community countries, a scheme which the UK fears might drive the Eurobond market outside the EC at a stroke.

For the first time they will also discuss the Commission's highly controversial proposal, launched earlier this year, to attach reciprocity conditions to foreign banks benefiting from the planned single European banking market.

In its proposed Second Banking Directive, the Commission has suggested that, if foreign-owned banks in the EC are to join their purely European counterparts in being able to operate under a single banking licence across the Community, the home countries of those foreign-owned banks must offer similar, or at least non-discriminatory, opportunities to EC credit institutions.

Discussion of the new banking directive, proposed last January, has created more heat than light. The Commission allowed an international row over reciprocity – fuelled by complaints from the US outside, and the UK inside, the Community – to develop before it made its first stab only last month at defining what it meant by reciprocity.

Halfway through the Commission's ambitious timetable to create a single European market by 1992, many of its sweeping proposals for the financial sector are only now surfacing. As this happens, Britain and Luxembourg, which are home to Europe's two most internationally-oriented financial centres, are forging a tactical alliance. Both countries feel they have the same competitive edge that Germany does in industry and France in agriculture, and neither wants that edge blunted by over-regulation or interference from Brussels.

The future of the Eurobond market, where they are the EC's main players, is the other issue that joins them today. Mr Peter Lilley, the Economic Secretary to the UK Treasury, will today ask the European Commission to exclude Eurobonds from a draft directive on securities prospectuses or face an indefinite political blockage to its proposals.

A blocking minority of EC Governments, including West Germany and Ireland, also oppose the directive for differing reasons. But the Commission could attract sufficient majority support if it satisfied the fears of the UK and Luxembourg, shared to a lesser extent by Bonn and Dublin.

Britain, the main host for the enormously profitable Eurobond market, fears that the Commission's long-deadlocked prospectuses plan could overnight drive billions of dollars of business out of the European Community to other financial centres like Switzerland. Luxembourg has similar interests as another thriving Eurobond centre.

The scheme has aroused intense opposition from Eurobond trade bodies since being floated by the Brussels authorities in 1982. It suggests all new securities issues, including bonds and shares, should be accompanied by prospectuses. These would have to be handed in advance to competent authorities in each EC country.

The UK Government feels this would be anathema for a volatile and mobile market in which new issues often have to be distributed within a single day. It believes The market for Eurobonds – debt securities issued outside the countries of the currencies in which they are sold – has become among the world's largest securities markets precisely because it is lightly regulated.

Belgium is a strong supporter of the scheme, which it feels protects private Eurobond investors, of which there are many in Belgium.

Anniversary brings reminders that Soviet Union is still socialist

THE celebrations of the 71st anniversary of the Great October Revolution will be held in Red Square, and throughout the Soviet Union, today, John Lloyd writes from Moscow.

It will be heralded by leadership speeches pointing to an improvement in international relations, but stressing that the Soviet economy and people remain "unshakeably socialist" – the more so since they can now openly admit their problems.

Over the weekend, central Moscow has been bedecked with flags, banners and huge portraits of Marx, Engels and above all Lenin. Many of the banners exhort the Soviet people to work constructively within the decisions of the 19th Party conference, held in June; others recall the old Leninist slogan "All power to the Soviets" – at a time when these long-defunct organs, and especially the Supreme Soviet, are to be given new life and democratic legitimacy in multi-candidate elections next year.

In a speech over the weekend to a party rally in the Kremlin, Mr Nikolai Slyunkov, a politburo member and central committee secretary, went out of his way to correct "some people in the West [who] hope the radical transformations would go beyond socialism.

"They hope in vain. The socialist choice of our people is final and irrevocable. It was made by the October Revolution and is not subject to revision."

Mr Slyunkov also stressed that "contradictions. . . in the sphere of inter-ethnic relations" would only be solved within the framework of "internationalism" – that is, through the continuing membership by all republics, including the increasingly independent Baltic states, of the Soviet Union.

In a separate speech to a gathering of all foreign ambassadors in Moscow, Mr Mikhail Gorbachev, the Soviet leader, said foreign policy was now firmly based on the goal of "a nuclear-weapon free, non-violent world, towards a world of co-operation in diversity".

He told the envoys: "We want you to get to know us better, for that will help you firmly to proceed from the premise that your states have found a well-wishing, predictable and reliable friend, neighbour or partner in the Soviet Union."

The Tass news service, which reported these speeches, added its own comment to encourage the festive spirit. Analyst Boris Krayevsky mocked the rhetoric common to October parades of the Brezhnev years ("the eyes of festively dressed Muscovites should shine with happiness. . . ") and said that things had, happily, changed for the worse.

"We read with melancholy but calmly that there is no cornucopia on shop shelves, as we would like to have, that plans for housing were not fulfilled everywhere, the budget for next year was approved with a sizeable deficit and the Soviet shuttle did not blast off at the first attempt."

Mr Krayevsky would not, however, be a Tass analyst if he could not find the silver lining in that cloud: "Following the call and example of the new leadership of the Communist Party, all of us are learning to say and to write the truth, without concealing difficulties and shortcomings. As a result people have started believing themselves and our statistics, and our leaders. Now we know: if any one of them says something, he means it."

Perestroika 'beyond party chiefs'

By John Lloyd in Moscow

THE challenges of perestroika and glasnost within the Soviet Union may be proving too much for the very organisation which must lead it – the Communist Party.

A poll of 1,500 communists in the newspaper *Socialist Industry* shows a majority think the party leaders at every level are incapable of the tasks set them, a view shared by most of these leaders themselves.

The poll vividly demonstrates the increasing emphasis in the rhetoric of Mr Mikhail Gorbachev and other party leaders that action to secure change lags far behind the words, and that inertia in the bureaucracy and the party is stifling initiatives.

The poll's findings include:

- Only a third thought perestroika was being taken seriously by party leaders below national level.
- Between 25 and 30 per cent *did not* think the words hypocrisy, careerism, indifference, demagogy and toadyism applied to their local party leaders: the rest, by implication, did.
- Among workers in industrial enterprises (always seen as the prime group) 84 per cent thought their plant parties needed restructuring, only 25 per cent thought their plant party leaders fully supported perestroika (a figure which declined to 17 per cent in plants with over 1,000 workers), only 50 per cent knew anything at all about these leaders, and a mere 7 per cent thought they were able to stand up to managers in any clash of interests.
- District and city party leaders were seen as remote technocrats who had lost the old skills of creating enthusiasm and teaching politics. In the poll only 47 per cent of the leaders said they were confident of being able to carry out perestroika tasks.

Efforts to improve the situation, however, continue. Over the weekend, the official news agency Tass announced the sackings of first secretaries in the Gorno Altai, Vinnitsa and Odessa regional parties, to be replaced by former subordinates. In the Moldavian republic, the central committee plenum decided to cut its staff by a third – now a common figure for such surgery.

Moscow invites UN to help in Kabul

By John Lloyd in Moscow and Christina Lamb in Islamabad

A SENIOR Soviet official has called for Mr Javier Pérez de Cuéllar, the United Nations Secretary General, to intervene in the Afghanistan conflict in the same way, and to the same effect, as he did earlier this year in the Iran-Iraq war.

Mr Yuri Vorontsov, the First Deputy Foreign Minister recently appointed to be ambassador in Kabul, was reported by Tass news agency as telling representatives in the Afghan Parliament on Saturday: "In the opinion of the USSR and the Afghan leadership, the time has come for a new international discussion of every aspect of the situation in Afghanistan and around it, as external forces – Pakistan and the US – are involved.

"The UN Secretary General could play an invaluable role in this discussion. He made a serious contribution to ending the Iran-Iraq conflict."

Mr Vorontsov's call followed a statement in Moscow last week from Mr Alexander Bessmertnykh, Deputy Foreign Minister, that the Soviet Union would delay the phased removal of its troops from the country - though it still intended to withdraw them by February 15, the date set by the Geneva accords.

Afghan resistance leaders have insisted that they will not be forced into a compromise

The announcement from Moscow that it had stopped the pull-out of its remaining 50,000 troops because of the "prevailing military situation", was condemned by Pakistani Foreign Minister Yaqub Khan as "not consistent with their stated objective of an early and comprehensive settlement

"It is particularly disappointing in view of the fact that on Thursday, for the first time since the 1979 Soviet military intervention, the UN General Assembly adopted a consensus resolution on Afghanistan which was the result of successful co-operation between the Soviet Union and Pakistan."

Military fear Italian air crash blame

By John Wyles in Rome

ANGER at the top of the Italian armed forces boiled to the surface at the weekend over claims that the military is hiding the truth about the Ustica air disaster in which it is alleged the air force accidentally shot down a civilian airliner, killing 81 people.

Admiral Mario Porta, the Chief of the Italian Defence Staff, momentarily lost control of himself at a press conference, saying: "We are making tremendous efforts not to ride the fury which is in all of us and which comes from the armed forces. But we are remaining faithful to our minister and to the cabinet."

The cabinet on Wednesday looks certain to discuss the controversy over the disaster. In June 1980, a DC-9 operated by the now defunct Itavia inexplicably crashed into the sea north of Sicily.

After eight years in which much has been ascertained but no responsibility attributed, there is now heavy pressure on politicians to establish the truth. Adm Porta's outburst reflected fears that the military will be made the scapegoat.

The national television service, Rai, has claimed the DC-9 was shot down by a missile fired in error by a fighter chasing a drone target. The Air Force denies this. None the less, belief in a military cover-up is gaining ground and amid artful support from Socialist politicians.

A report from a magistrate examining the disaster is expected to take some time yet.

Scholz silent on US N-weapon teams

WEST GERMAN Defence Minister Rupert Scholz yesterday said that he saw no reason to disclose details of a classified US-West German accord that reportedly sets up special US teams to deal with nuclear weapons accidents, AP reports from Bonn.

Asked about the agreement on the ZDF television network programme Bonn Direkt, Mr Scholz said: "The sovereignty of the Federal Republic (West Germany) is not affected."

Mr Herta Daeubler-Gmelin, a leading official with the opposition Social Democrats, last week demanded that the accord "be put on the table" so it could be determined whether it jeopardises West German sovereignty.

West German news reports have said that under a 1976 accord, élite US troops have been deployed in this country to respond to nuclear weapons accidents and terrorist attacks.

According to the reports, the teams are under direct US command and West German officials have no authority in operations involving them.

Reports of the presence in West Germany of a special anti-terrorist team, called the Nuclear Emergency Search Team, surfaced during recent government hearings on nuclear waste.

Members of the hearing said they stumbled on references to the team by chance while going through documents.

elections, West German Government officials have confirmed that there are "secret agreements to protect nuclear weapons" but refuse to discuss those accords.

'Italy may withdraw navy forces from Gulf soon'

CAPTAIN Mario Buracchia, commander of Italy's five warships in the gulf, said yesterday that he expected Rome to withdraw his forces from the region soon as the cease-fire in the Iran-Iraq war holds, AP reports from Abu Dhabi.

Capt Buracchia said he expected other West European countries to pull out their naval contingents if United Nations-sponsored peace negotiations led to a peace treaty.

"We can now sense peace in the region and the Italian government is expected to take a decision on withdrawing its fleet in the Gulf, perhaps in the next two months," he said.

Capt Buracchia was speaking aboard his flagship, the frigate Euro-F575 berthed in the United Arab Emirates.

Italy was one of five Western European nations which, supporting the United States, deployed warships in the Gulf last year to protect merchant ships from Iranian attack and safeguard freedom of navigation.

OVERSEAS NEWS

NTT aide quits over role in share dealing scandal

By Stefan Wagstyl in Tokyo

NIPPON Telegraph and Telephone, the Japanese telecommunications group, was dragged further into the country's widening financial scandal when an aide to the company's chairman resigned yesterday over involvement in the affair.

Mr Kozo Murata, a secretary to Mr Hisashi Shinto, the chairman, became the third person connected with NTT to admit buying shares in Recruit Cosmos, the company at the centre of the scandal.

Mr Murata admitted buying and selling 10,000 shares, for an estimated profit of about Y20m ($100,500).

Mr Haruo Yamaguchi, the NTT president, was called to appear today before a Diet (parliamentary) committee.

The scandal concerns the distribution of shares in Recruit Cosmos on a preferential basis to prominent people before the company was floated on the market in October 1986.

Opposition politicians have sought to link the distribution of shares to NTT officials with a lucrative business which Recruit, the parent company of Recruit Cosmos, set up in 1986-87, buying NTT digital communications lines in bulk and selling them to medium-sized companies.

Mr Ei Shikiba, a senior NTT executive, and Mr Hisahiko Hasegawa, a former executive who works for a Recruit affiliate company, have admitted buying Recruit Cosmos shares but have denied any wrong-doing.

According to Mr Shinto, Mr Murata said he had bought his shares in a private capacity.

Gandhi prepares for early polls

By K.K. Sharma in New Delhi

INDIA's ruling Congress (I) party, led by Mr Rajiv Gandhi, Prime Minister, showed clear signs of preparing for early general elections over the weekend when its policy making executive held a convention and adopted a number of populist resolutions.

The resolutions, all proposed by senior ministers and adopted unanimously by delegates, covered the economic situation, and youth, women and farmers who collectively account for the bulk of the voters in the country.

The party launched a severe attack on the opposition parties which are now trying to present themselves collectively as the national alternative to Congress (I).

Speakers described the opposition leaders as "enemies" of the country. Mr V.P. Singh, chosen by the main opposition parties as their leader and now considered the main rival to Mr Gandhi, was the central target of attack.

The belief that Mr Gandhi is planning early elections has been the main subject of speculation among politicians in the past few weeks and was strengthened last week when the Congress (I) organised a huge rally in Delhi.

General elections need not be held in India until the end of next year, since the current Parliament was formed in January 1985 and has a five-year term.

Several factors including the improvement in the economy and the growing strains in the ranks of the opposition have given rise to the belief that Mr Gandhi will order elections long before they are due, to take advantage of a relatively favourable political situation.

For the youth, the party offered to lower the voting age from 21 to 18; for women – who constitute half of the elecorate – a detailed plan for their progress was presented, and for the tens of millions of poor, there was an assurance of at least one job for each rural family.

In an extraordinary gesture to farmers, some 80 per cent of the population – the Congress (I) party asked the Government to frame a scheme which would give them relief from repaying their debts, and enable them to get fresh loans.

Demands for Chun's arrest

By Maggie Ford in Seoul

THOUSANDS demonstrated in South Korea at the weekend demanding the arrest of former President Chun Doo Hwan, as anger mounted at his failure to respond to allegations of corruption and brutality during his regime.

In Seoul, students clashed with riot police. Anti-Chun rallies were reported in six other cities.

Prosecutors said they plan to investigate the alleged activities of a number of Mr Chun's relatives this week. The South Korean National Assembly is to intensify its investigations into the Chuns' alleged influence-broking.

AP adds: In Pusan, an opposition stronghold south of Seoul, fighting erupted late Saturday when police fired tear gas at thousands of protesters trying to burn an effigy of the former president after a street march, according to Yonhap, the South Korean news agency.

Riot police also battled groups of slogan-chanting protesters in Kwangju, another southern city and centre of anti-government activity, after students razed two police buses, shattered dozens of windows and damaged eight cars in a firebomb attack on a government prosecutors' building. One student was injured

A mother whose student daughter was killed in clashes with riot police yesterday attends a rally in Seoul to demand the arrest of former president Chun Doo Hwan

Lange acts to defuse crisis in NZ cabinet

New Zealand's Prime Minister, Mr David Lange, has defused a potential political crisis at today's cabinet meeting by stripping Mr Richard Prebble, removed from his post as Minister of State Enterprises on Friday, of all ministerial posts, *Dai Hayward reports from Wellington.*

Mr Prebble had refused to accept a new policy on sales of state assets which would have distanced both the minister and the Government from the actual selling process. He claimed the proposal had not been approved by cabinet.

Maldives rebels' boat captured

A boat carrying rebels who attempted an unsuccessful coup against President Gayoom of the Maldives last week, surrendered to the Indian Navy yesterday, *K.K. Sharma reports from New Delhi.*

Among the hostages rescued were Mr Ahmad Mujithadha, Maldivean Transport Minister. The Indian Government had sent troops to quell the coup attempt.

Tanzania devalues currency by 21%

TANZANIA yesterday devalued its currency by 21 per cent, two days after President Ali Hassan Mwinyi accepted an austerity programme prescribed by the International Monetary Fund, **Reuter reports from Dar-es-Salaam.**

The Central Bank of Tanzania said the shilling will exchange at 119.39 to the dollar, compared with 98.21 last week.

Iraq to raise oil output

IRAQ is planning to raise its oil production capacity to about 5m barrels a day by the end of this year from around 4m barrels a day at present, **Haig Simonian reports from Bonn.**

Mr Issam Abdul-Rahim Al-Challaby, the Iraqi oil minister, told a visiting West German parliamentary and economic delegation that the country would work flat out to repair war damage.

In particular, Iraq is in talks with Mannessman, the German steel pipes and engineering group, on a $200m contract to develop the Saddam oilfield.

Belgium to ease Zaire debts

BELGIUM is to help ease the debt problems of Zaire, its former colony, by forgiving repayment of BFr 1bn ($26m) of direct state loans and by rescheduling repayment terms of a further BFr 15bn in loans, Mr Leo Tindemans, Belgian foreign minister, said yesterday, **David Buchan reports.**

The rescheduling would extend repayment of Zaire's BFr 15bn trade debt to Belgium over 25 years.

Jordan imposes import restrictions

By Tony Walker in Amman

JORDAN, which is gripped by an economic crisis that is putting intense pressure on the value of its currency, announced at the weekend emergency import restrictions aimed at saving $200m a year in scarce foreign exchange.

The rapid depreciation of the Jordanian dinar – by some 17 per cent in the past month – has forced the administration into a series of austerity measures in an effort to restore confidence in its economic management and to conserve hard currency.

Imports of cars, electrical goods and other such luxury items have been banned until 1990. Customs duties have been increased on other "non-essential" goods.

Jordan's foreign exchange reserves have declined from about JD354m at the end of 1980 to about JD35m in August, after hitting a low of about JD10m in April this year (the Jordanian dinar was trading at $2 on the free market at the weekend). Reserves are barely sufficient to cover one week's imports.

Political uncertainties following King Hussein's July 31 declaration that he was severing legal and administrative ties with the West Bank and Gaza Strip have also contributed to pressures on the Jordanian dinar which until recently was one of the strongest currencies in the Middle East.

Jordanian officials said measures adopted at the weekend marked the start of a three-to-five-year austerity programme.

Chadli appoints new PM to reform economy

By Our Foreign Staff

PRESIDENT Chadli Bendjedid, the Algerian president, acting swiftly to build on support for political change from Algerian voters, has appointed a new prime minister with orders to reform the economy.

Two days after he received a 92 per cent "yes" vote in a referendum on constitutional change, the president has asked Mr Kasdi Merbah, the Health Minister, to form a new government.

Mr Merbah, 57, has held senior posts in the Defence Ministry and in recent years has won a reputation as a determined liberaliser of Algeria's economy.

In the 1970s, he was the head of internal security throughout most of the presidency of the late Mr Houari Boumediene, and was then brought in to reform the Ministry of Health. Between 1984 and 1988, Mr Merbah held the agriculture portfolio.

Turkey's inflation rate continues unabated

By Jim Bodgener in Ankara

INFLATION in Turkey continued unabated at a rate of around 86 per cent in the year to the end of October, according to figures released by the country's State Institute of Statistics.

This indicates that despite a sweeping range of austerity measures, the Government of Mr Turgut Ozal, Prime Minister, has failed to curb the leg-elections.acy of an election year in 1987, the result of which was overspending, excessive domestic borrowing and a noticeable swelling in the budget deficit.

The rate of inflation has crept inexorably upwards since the start of this year and in the twelve months to the end of September it stood at around 82 per cent.

The Government's critics are quick to charge that it did not take opportunities to introduce gradual corrective measures through the year, and that as a result it faces a series of critical and electorally painful decisions before the local elections in March.

An austerity budget was introduced into parliament last month.

This envisaged a decline in inflation during next year to 38 per cent and a reduction in growth from around 7 per cent this year to 5 per cent.

It remains to be seen whether the government has the political will to carry out the proposed economic changes, say Turkey's Western mentors.

They note that Turkey is faced with serious and bitter internal divisions within the ruling Motherland Party after an abortive September 25 referendum on whether or not to hold early elections.

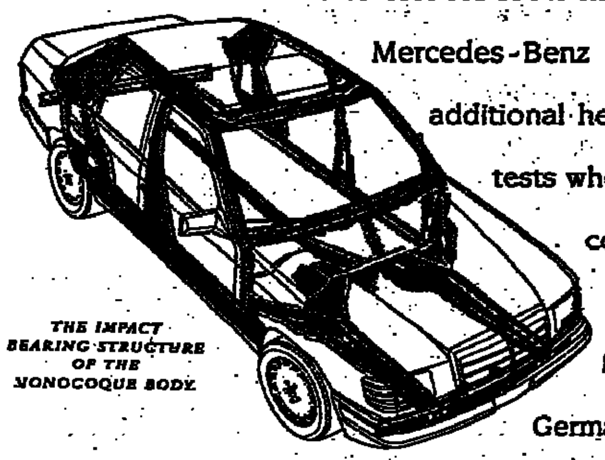
Widely circulating rumours of an impending Internationl Monetary Fund stand-by loan have been flatly denied by officials.

The current account, which has been the one bright spot on the Government's economic horizon, is continuing to improve beyond expectations, falling by 74 per cent in the first eight months of the year.

However, a senior government team including State Minister for the Economy, Mr Yusuf Bozkurt Ozal, the premier's brother, will go to Washington earlier this week to explain the Government's plans to deal with the economy's deterioration to the IMF, ahead of an IMF visit to Turkey later in the month.

The team included central bank governor Mr Rusdu Saracoglu, and the head of the State Planning Organisation, Mr Ali Tigrel.

Mercedes-Benz design their cars for the accident that happens most



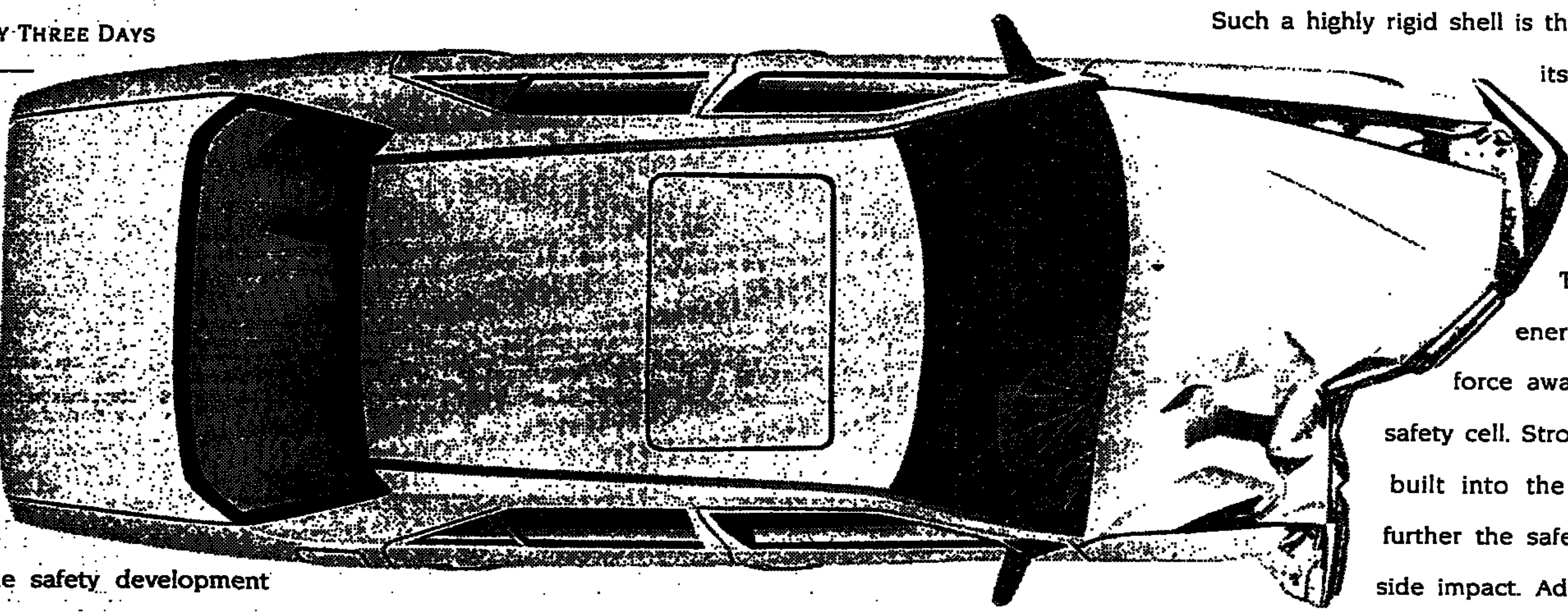
THE IMPACT BEARING STRUCTURE OF THE MONOCOQUE BODY.

Although government legislation requires all car manufacturers to test for 100% head-on collision, Mercedes-Benz also carry out additional head-on collision tests when the impact is concentrated on 40% of the car's frontal area. In Germany for example, research has shown this accident happens three times more frequently than 100% head-on collisions. As a result, all Mercedes-Benz safety cells and crumple zones are now engineered to disperse the unique stresses of both types of collision. Which means impact energy is absorbed progressively and displaced into forked longitudinal members mounted onto extremely rigid sidewall, floor pan and transmission tunnel structures. The energy is therefore dissipated by being transmitted and absorbed in three different directions.

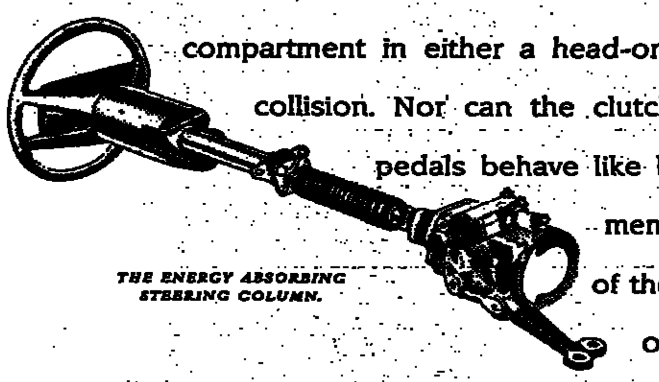
This is a fine example of Mercedes-Benz research and engineering taking the lead in safety development.

A Crash Test Every Three Days

Mercedes-Benz conduct a crash test every three days, on average. Because safety research is an integral part of the Mercedes-Benz design process, many tests are conducted on components and prototypes prior to full scale production of a new model. Consequently, the safety development team are well placed to impose their priorities on the fundamental design of a car. Today's Mercedes-Benz models are the most thoroughly tested and safest the company have ever built.



The Mercedes-Benz safety steering system, as an example, is fitted with a distorting cup within the steering wheel, and a collapsible, corrugated column that will not intrude into the passenger compartment in either a head-on or off-set collision. Nor can the clutch or brake pedals behave like blunt instruments. Because of the likelihood of severe accident injuries to the feet, the pedals are designed to swing away from the driver on impact.

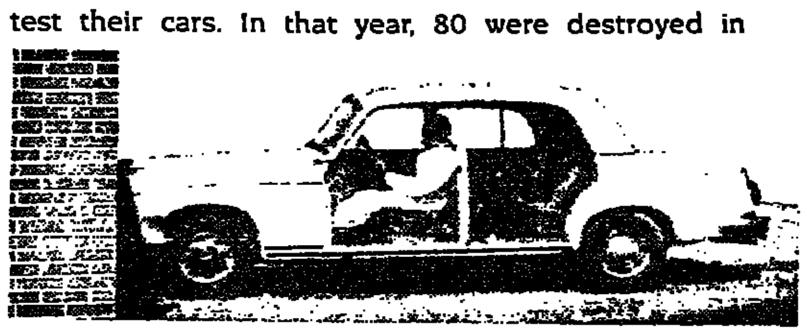


THE ENERGY ABSORBING STEERING COLUMN.

The Fathers Of Automotive Safety

The history of Mercedes-Benz safety consciousness dates from 1931 when they developed independent front suspension to ensure safer roadholding. And as long as thirty-seven years ago, long before "crumple zone" and "safety cell" became part of car industry jargon, Mercedes-Benz patented the first impact-absorbing body shell. But rather than protect the patent in their own interests, Mercedes-Benz allowed it to be infringed in everybody's interests, so other car makers could incorporate the idea into their own body designs. A gesture that speaks for itself.

In 1959, Mercedes-Benz became the first manufacturer to systematically crash test and roll-over test their cars. In that year, 80 were destroyed in the search for greater passenger security. Since then, no car maker has placed greater emphasis on crash testing, and many others reap the benefits simply by adopting the results of Mercedes-Benz pioneering research.



SCIENTIFIC CRASH TESTING: CIRCA 1959.

State Of The Art Safety Cell

Computer-aided engineering, combined with extensive use of high strength, low-alloy steel, ensures that Mercedes-Benz monocoque body shells are not only light, but are also outstandingly strong. Such a highly rigid shell is the basic safety element, its front and rear sections designed to yield progressively in major accidents. They absorb kinetic energy and divert the full force away from the passenger safety cell. Strong cross-members are built into the floor pan to stiffen further the safety cell's resistance to side impact. Additional single section roof frame cross-members enhance the total load bearing capacity of the roof in front, side and roll-over impacts.

How The Use Of Air Can Reduce Injury Risk

FROM IMPACT SIGNAL TO INFLATION IN 25 MILLISECONDS.

All inertia-reel safety belts fitted to the front seats of Mercedes-Benz cars, have electronic belt tensioners as standard. Above a predetermined level of impact, the tensioner is activated and pulls the belt taut around the body in milliseconds, reducing forward movement of driver and front seat passenger. Above certain speeds, however, impact injuries can still occur no matter how sophisticated the seat belts are. Therefore, Mercedes-Benz also offer an electronically controlled airbag that is neatly stowed in the steering wheel hub. This innovatory safety feature has been available since 1981 and is already fitted to 400,000 Mercedes-Benz cars. A normally invisible guardian, it inflates in milliseconds, under impact, to cushion the driver's head and greatly reduce the risk of chest injuries. Further proof that the Mercedes-Benz commitment to safety is uncompromising, and continues unabated.

Engineered Like No Other Car In The World.

OVERSEAS NEWS

W German lead in Shanghai underground bid

By John Elliott in Shanghai

A WEST GERMAN consortium led by AEG and Siemens has established a clear lead over rival companies from the UK and France bidding for a contract worth up to $300m for the first 14-km stage of Shanghai's proposed 176-km mass transit underground railway.

Contract negotiations are still in progress in Shanghai and Peking, but Lu Guo Xian, a senior member of Shanghai's Foreign Investment Commission, said yesterday that an agreement for West Germany to provide supporting D-Mark denominated loans equivalent to about $220m would be signed before the end of this month in either Bonn or Peking.

This establishes the West German consortium, which also includes Duewag and Wagon Union, as the clear leaders for the contract. The UK has gone no further than making it clear that it is prepared to provide a financial package including aid to support its bidder, MetroTech, a consortium led by GEC and including Balfour Beatty, and Metro Cammell.

The contract is the first of several expected in the next few years for mass transit railways in Chinese cities. Talks are proceeding between the Government and the MetroTech group for a underground line in Peking. Balfour Beatty is leading the consortium. Other transit plans are being drawn up for as Canton and Nanjing.

The contract is also the first of a series of big infrastructure projects planned for Shanghai which are to proceed despite cuts in constriction projects made necessary by China's over-heated economy.

Talks are taking place with Philips and other companies for work on a new airport terminal backed by aid from the Dutch Government. Asian Development Bank-supported loans of $150m are expected to be finalised soon to help finance a new bridge across the Huangpu River, which will be built by Chinese contractors with some consultancy work and steel supplies from overseas. World Bank loans of $145m are being provided for water treatment works.

Most of these projects have been held up for several years because of a lack of funds. But both the Peking Government and Shanghai's municipal administration have decided the projects must go ahead urgently, using foreign funds wherever possible, in order to revive the city's flagging industrial and economic performance.

Yugoslavia ventures into reform

Judy Dempsey looks at economic packages to attract investment

YUGOSLAVIA'S chances of attracting foreign capital and foreign investment will be greatly improved if a radical joint venture bill is passed by the country's Federal Assembly at the end of this month.

The bill, part of a much broader economic reform package, is designed to open up Yugoslavia into a more market-oriented economy.

It is also linked to the ruling Communist Party's efforts to amend the cumbersome 1974 constitution which prevented creation of a unified market.

Under the terms of the bill, individuals – both foreign and domestic – will for the first time be given the right and opportunity to invest in enterprises.

But unlike the joint-venture legislation introduced in some of the other East European countries, foreign investors in Yugoslavia will have the right to repatriate their investments.

This has in the past been one of the significant drawbacks for any Western businessman wishing to set up joint ventures in Eastern Europe. Unable to take any earnings or investments out of the country, Western companies were forced to accept "compensation goods," the technical, if not euphemistic term for counter-trade or barter.

But in addition to allowing repatriation of profits and capital, the Yugoslavian bill goes further than other East European states in other ways.

Investors, for instance, will have the right to earn interest on their investments and will no longer be restricted to the maximum holding share of 49 per cent. That ceiling has been increased to 98 per cent.

They will also be allowed set up enterprises in free customs and trade zones, either independently or in cooperation with other Yugoslav firms.

And, supposedly with the minimum of bureacracy – the bane of Western businessmen – they will in future be allowed greater flexiblity in setting up industrial co-production units.

There are other incentives aimed at tapping the huge savings stowed away by Yugoslav *gästerbeiter* working abroad who remit their earnings.

Until now, the Yugoslav *gästerbeiter*, whose annual hard currency remittances total $2bn have understandably been reluctant about returning to Yugoslavia to invest in an enterprise.

They usually ended up building houses instead, or buying cars for their families who stayed at home.

It is, however, precisely the small and successful Yugoslav entrepreneur living in Austria, West Germany or the US which the Yugoslav authorities are aiming at.

These potential investors in Yugoslavia, unlike the heavy-handed nature of joint venture legislation in neighbouring Bulgaria, will actually have the right to be involved in decisions in the company and how the earnings should be distributed.

These rights have not yet been fully spelt out. But according to Mr Mihailo Crnobrnda, the architecht of the economic reforms in the Republic of Serbia, and right hand economics man to Mr Slobodan Milosevic, Serbia's powerful and charismatic party boss, foreign investors will have greater powers than had been originally envisaged.

"If we want to attract capital, we have to give the foreign investor leeway and rights. This means he must be able to choose his own work force and he must be free to sack them if he has to," Mr Crnobrnda says.

He believes that if foreign invesors were given such rights, many enterprises would be radically overhauled or even closed down.

"We want to do this in Serbia," he said, adding that the six Republics and two autonomous provinces had, for political reasons, cushioned enterprises against the realities of the real world.

But he admitted that the Yugoslav authorities are not yet ready to sell off the giant loss-making heavy industry companies. That would entail heavy job losses, a political price, which for the moment, the authorities are not willing to entertain.

Mr Crnobrnda and his colleagues are in no doubt that the new joint venture legislation will be hard to sell to outsiders.

"They take one look at out industry which is in desperate need of modernisation and capital investments. They will take one look at the work force which is demoralised by poor management, a wage freeze and rising inflation. And they will ask themselves, why should we invest such conditions?" he said.

Hence, the need to make the joint venture legislation as flexible and as attractive as possible. Hence too, the added sweetener: the reform of the banking system.

Western investors are only too well aware of the power of the banks. Under the present system, they have a unique relationship with the enterprises, to such an extent that the director of an enterprise is automatically on the board of the local bank. This makes it impossible for a bank to refuse extending credit to the enterprise.

Under the terms of another draft bill, this incestuous relationship will be severed once and for all. Banks will become independent financial institution and will be given the freedom to raise equity and capital both domestically and on foreign markets.

Yugoslav economists have no illusions that getting this reform and the joint-venture legislation off the ground will be a slow process.

But they also agree that if the bills are diluted at next month's session of the Federal Assembly, Yugoslavia will have lost a major opportunity to reform its economy.

Tokyo in drive to boost trade with Moscow

By Stefan Wagstyl in Tokyo

JAPAN is not allowing a long-standing argument over territories seized at the end of World War II to stand in the way of trade with the Soviet Union.

While, on the political front, Japan insists that relations between the two countries cannot be put on a friendly footing until the row is settled over the so-called Northern territories – four small but strategically important islands north of Hokkaido – trade with the Soviet Union is increasing rapidly.

Japanese businessmen have warmed to efforts by Mr Mikhail Gorbachev, the Soviet leader, to improve contacts with non-Communist countries.

In the past two months, eight separate missions representing different industries have visited Moscow to discuss expanding trade, which is expected to reach record levels this year.

Two-way trade totalled $4.5bn (£2.8bn) in the nine months to September, a 29 per cent increase on the same period in 1987. The total is expected to reach $6bn for the year, a sharp increase on the 1982 record of $5.58bn.

Japanese companies believe the potential of the Soviet market is enormous. But their enthusiasm is tempered by their experience of previous moves in the Soviet Union to strengthen ties with the West.

The Soviet reluctance to borrow from the West is also a constraint, especially for big investment schemes. Out of 30-40 joint ventures signed in the past year by the Soviet Union with the West, Japan has only two, a lumber plant and a tourist promotion scheme at Lake Baikal.

Rumours circulate in Tokyo of big projects in the offing – including a possible petrochemical plant in Siberia – but nothing concrete has emerged.

Japanese businessmen complain that the rules on joint ventures are too restrictive, especially the fact that foreign participation is limited to 49 per cent and that output must be targeted for the export market.

Japanese companies have more convenient sources of cheap labour in South-East Asia and, increasingly, on the coast of China.

The pattern of trade is similarly limited by the Soviet Union's reluctance to run up large deficits. In the first nine months, Japanese exports to the Soviet Union were $2.445bn against imports of $2.099bn.

Imports are mainly non-ferrous metals, including platinum and aluminium, timber and fish.

Trucks and buses figure prominently in Japan's exports, and are increasing, but the Soviet Union is trying to cut purchases of Japanese consumer goods, including cars and electrical appliances.

Because of the political dispute, Japan is holding back on sending a high-level economic mission to the Soviet Union.

The Ministry of Foreign Affairs said there was no postponement, since no date had ever been set for the visit. The proposed joint government-industry mission would be the first to go to the Soviet Union since 1966.

European aerospace 'needs to expand high-tech base'

By Michael Donne, Aerospace Correspondent

THE European aerospace industry needs to expand its technological base by undertaking a programme of international collaboration across a wide spectrum of research and development activity.

This conclusion emerges from a private study, now made public, conducted this year by several big European aerospace companies. These include Aeritalia of Italy, Aerospatiale of France, British Aerospace, Dassault of France, CASA of Spain, Dornier of West Germany, Fokker of the Netherlands and Messerschmitt-Bölkow-Blöhm of West Germany.

Called Euromart, the study suggests that big technological advances in aerospace have been achieved in Western Europe substantially on an individual national basis. Circumstances, however, now dictate that this collaboration be given a "new dimension."

The study is being considered by the EC, and may form the basis of a plan for a Community-wide programme of strategic research.

● The Polish airline, Lot, has ordered three Boeing 767 twin-engined jet airliners, worth about £124m.

The deal covers two of the 767-200ER (extended range) airliners and one larger 767-300ER. All will be powered by US General Electric CF6-80C2 engines.

The first two aircraft will be delivered in April and May next year, with the third in June 1990.

SHIPPING REPORT

Tanker rates hold steady

By Kevin Brown, Transport Correspondent

RATES were more or less steady in the tanker market last week. Brokers said the rate for 260,000 tons from the Middle East Gulf to the West – a key indicator – remained at around Worldscale 47.5.

Owners were said to have put up some opposition to this rate initially, in the hope of forcing rates higher, but resistance crumbled as the week wore on.

Brokers said November rates were expected to remain steady, partly because of an erosion of available tonnage, and partly because of the possibility that charterers would try to fix cargoes ahead of a possible reduction in output by the next Opec meeting in three weeks.

Elsewhere, rates from Nigeria were virtually unchanged at around Worldscale 60 for parcels of between 900,000 and 1m tons for US or European Continent discharge.

Brokers said the clean market was showing surprising resilience, especially for tankers loading from the Mediterranean and North West European terminals.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	Sept.'88	Aug.'88	July '88	Sept'87	% change over previous year
US	111.8	111.8	111.6	105.9	5.6
W. Germany	107.0	110.2	103.4	103.3	3.6
Japan	114.8	114.3	111.3	105.2	9.1
	Aug.'88	July '88	June'88	Aug '87	
UK	111.9	100.5	110.5	107.9	3.7
France	109.6	109.6	108.8	104.0	5.4
Netherlands	107.0	112.0	107.0	106.0	0.9

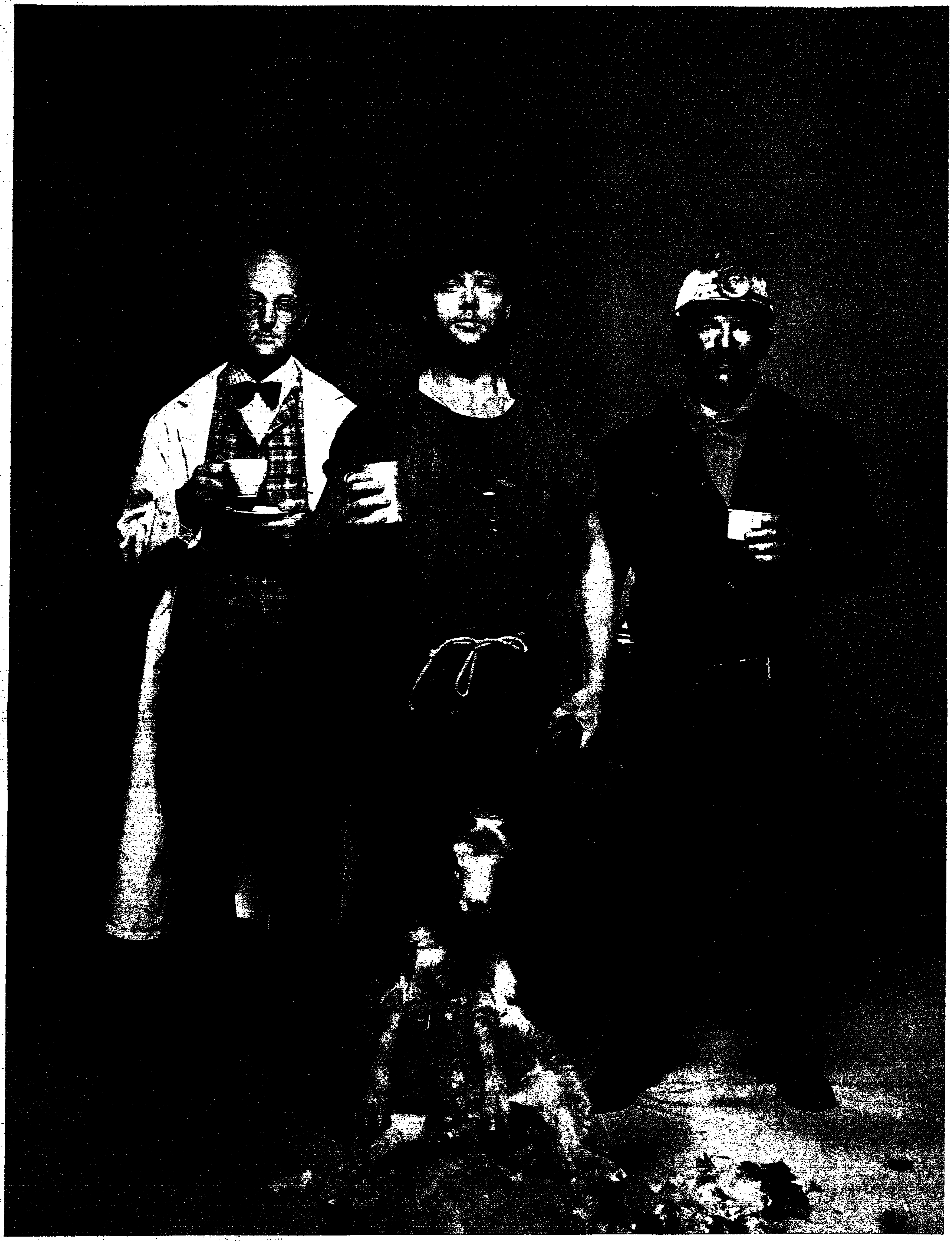
Source: (except US) Eurostat

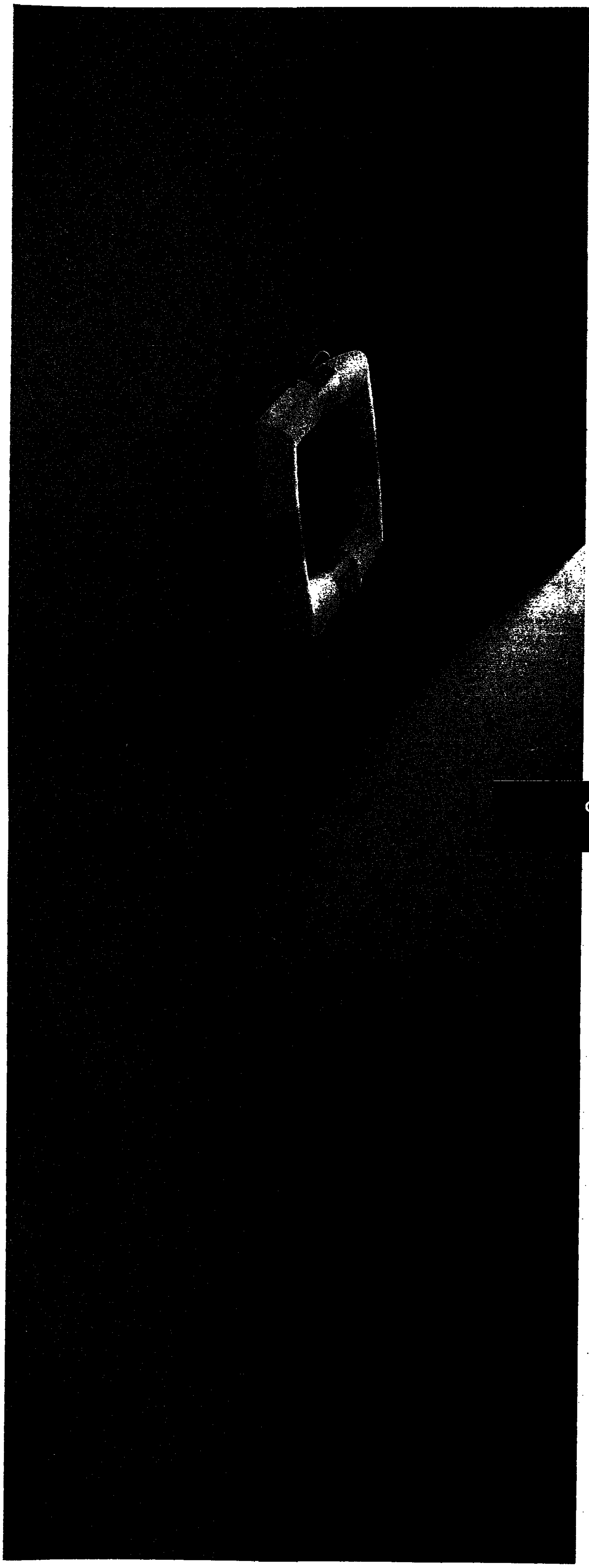
Japan business news service

A BUSINESS news service providing Japanese companies in Europe with access to key Japanese databases, and Japanese translations of European databases, will be launched in London this week, Hugo Dixon reports. The service, called Japanlink, will give European companies access to Japanese databases.

Mr Kevin Ring, managing director of TCI, which has developed Japanlink, said Japanese businessmen based in Europe were demanding more data on which to base decisions.

Basic cost of the service and equipment will be £1,000 a month.





In an ideal world nobody would ever need our services.

(Just as in a perfect world there'd be no need for life belts either.)

Unfortunately every month at least 80 of our clients face major problems with one or more of their customers.

Either their customers have gone bust or are having extreme cash flow problems.

Whatever the reason, they're still unable to pay their bills.

Without us this could leave our clients with a few major problems of their own.

Some would undoubtedly sink without trace. While others might just manage to keep their heads above water.

With our life belt at hand, however, they hardly even notice there's a storm brewing. Because we make sure that up to 90% of the bill is paid.

In fact we pay out over £2 million a month.

Some of the bills we meet are for exporters, who often face particularly risky situations.

Our export service, which has been operating since 1918 and covers over 100 countries, can insure most risks.

Even political ones.

ON AVERAGE, IT'S USED 80 TIMES EACH MONTH.

While our subsidiary, The Export Credit Clearing House, can arrange non-recourse finance to help expand your exports.

Since we're such an effective protection against the problems of other companies, why don't even more companies use us?

The answer, almost certainly, is that they have rather out-dated ideas about our service.

Some think, for example, that we insist on insuring all their customers.

In truth, however, we're happy to tailor a policy to the needs of a company.

We'll insure all its customers. Or just those it chooses.

We can even insure specific contracts.

The flexibility of our service means that the permutations are almost endless.

So there's little doubt that whatever size your business our services are both sensible and prudent.

After all, who else is going to throw you a life belt when things go wrong?

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For further information on our services, please call 01-739 9939.

Government backs down on housing trusts

By Philip Stephens, Political Editor

THE Government yesterday backed down from its refusal to allow tenants on run-down council housing estates to reject a takeover by its planned Housing Action Trusts (HATs).

Lord Caithness, the Housing Minister, said that the Government agreed that tenants on estates where the proposed trusts are to be established would be allowed to vote on the issue.

A decision on whether the estates, among the worst in the country, should be transferred from local authority control would then be based on the view expressed by a simple majority of the votes cast.

Lord Caithness also confirmed that the Government was looking at ways to give impetus to the sale of council-owned housing.

The concession, which will be introduced in the Housing Bill when it completes its final stages in the House of Commons this week, follows intense pressure from tenants.

The Department of the Environment announced in July that it had designated estates in six areas – Tower Hamlets, Lambeth and Southwark in London, and Sunderland, Leeds and Sandwell – for compulsory takeover by the trusts. But the House of Lords voted to allow tenants to veto any decision on a handover.

A total of £192m has been allocated for improving the estates during the next three or four years, with the expectation that they would then be handed over to private landlords or housing associations.

Lord Caithness has acknowledged, however, the strength of feeling among tenants that they should be given the opportunity to vote against the establishment of a trust. Many tenants' groups have voiced fears that such a move might result in large rent rises and reduced security of tenure.

The Department of the Environment said ballots would be held after a group of private consultants reported in December on the delineation of areas suitable for takeover by trusts.

Buying US tank 'may put 10,000 jobs at risk'

By Clive Cookson

THE engineering industry might lose 10,000 jobs and export opportunities worth £12bn if the Army bought its next battle tank from General Dynamics of the US instead of Vickers of the UK, Sir David Plastow, chairman of Vickers, said yesterday.

There have been two years of technical discussions at the Ministry of Defence and quiet lobbying in Whitehall over the replacement of 600 ageing Chieftain tanks operated by the British Army of the Rhine.

The two main contenders for the order – likely to be worth more than £1bn – are the M1A1 Abrams, which General Dynamics is supplying to the US Army, and the Vickers Challenger 2, which has not yet been built.

Sir David said he wanted to correct "public misunderstandings," in particular the view that Challenger 2 was "a risky, high-tech project."

The main components of the proposed tank exist. Its hull is based on the Challenger 1, while its turret is adapted from the lighter Vickers Mark 7 tank with a computerised fire control system from CDC of Canada.

The survival of Vickers as the only remaining British tank manufacturer depended on winning the competition, Sir David said. The most immediate threat was to 850 jobs at the former Royal Ordnance factory in Leeds, where production of Challenger 1 tanks is due to finish in 1990.

The long-term future of the company's factory in Newcastle upon Tyne, which makes Mark 7 tanks for export, would also be thrown into doubt, he said. Several thousand jobs would be lost at the 400 subcontractors making parts for Vickers tanks.

Vickers had hoped that the Government would make its decision on the Chieftain replacement in the first half of this year. Sir David said the delay was beginning to damage the company's export business, particularly in the vital Middle East market.

"All our main negotiations overseas are grinding to a halt," he said.

The Ministry of Defence said yesterday that there was no firm timetable for introducing the new tanks, "though we hope to make a decision on the replacement before the end of the year."

Sir David said: "We need a conclusive decision before the end of the year; another stall would be very damaging internationally."

General Dynamics has approached several UK companies, including VSEL, the Barrow-in-Furness shipbuilders, about possible collaboration on building the Abrams tank if it wins the order. Sir David said Vickers would not be interested in making the Abrams under any circumstances.

Nuclear power backed

By David Green

THE Department of Energy believes there is greater confidence that contracts will be placed for electricity from the proposed Hinkley Point C nuclear power station in Somerset than from the planned Fawley B coal-fired plant in Hampshire.

That is because of protection to be given to electricity generated by non-fossil fuel when the industry is privatised.

Mr Christopher Wilcock, departmental witness at the Hinkley Point C inquiry, was asked last week to explain why Mr Cecil Parkinson, Energy Secretary, believed it was more important for assurances to be given over contracts from Fawley than from Hinkley.

Mr Parkinson decided, at CEGB request, to delay the Fawley inquiry until the board has assurances that the plant's electricity would be ordered by the distribution companies.

Struggle for control of the power flow

Max Wilkinson assesses the role of the National Grid Company after privatisation

WORDS LIKE battle and struggle do not easily spring to the lips of David Jefferies, the man chosen to head the National Grid Company, the nerve centre of the privatised electricity system.

However, in the eight months since the Government published its white paper on electricity privatisation, Mr Jefferies has been in a crossfire of argument between factions intent on securing an advantageous position from the Electricity Bill, due to be presented to Parliament later this month.

One of the earliest and toughest of these disputes was over the independence of the National Grid, which the white paper said should be given to the 12 area distribution companies. It did not say how.

From that, many important arguments have developed: how the grid company will control the nation's power stations after they pass to separate generating companies; how it will charge for use of the transmission network; and its overall position in planning power stations.

The outcome of these arguments will have a profound effect on the development of Britain's electricity system.

The most important issue in the months after the white paper appeared was whether the National Grid Company should be a neutered service organisation, largely confined to the technical operation of the system, or whether it should have a central strategic role complementary to that of the office of regulation.

All that the white paper said was that the national transmission grid would be removed from the Central Electricity Generating Board and put under the joint ownership of the 12 area boards, which would become private distribution companies.

The CEGB's power stations were to be split between two independent generating companies. The larger, National Power Company, gets 70 per cent of the plant – including the nuclear stations. PowerGen gets the remainder.

The predictable reflex of the area boards was to demand hands-on control of the grid company. That would have prevented the grid from becoming an independent centre of influence, particularly if it were non-profit-making.

Today, in his first public speech since his appointment, Mr Jefferies will show that he has persuaded the Government to endorse a different structure, which will secure his independence and power base.

It is clear that distribution companies' ownership of the National Grid Company will be at arm's length, through a holding company. As a further guarantee of independence, the

David Jefferies: Securing independence for the grid

Grid company will have non-executive directors from outside the industry.

Even more important is the intention to make the Grid company profit-making. With assets of £5bn, compared with some £10bn for all the distribution companies, it will clearly be an important contributor to its owners' profits.

This profit must clearly be subject to regulation, but the Government does not appear to have worked out how the regulations should give proper incentives to make needed improvements to the system.

The obvious way would be for the regulator to allow tariffs to be set to give a fair rate of return on the assets employed, as happens in the US. However, the Government has decided to apply an "RPI minus X" formula to grid tariffs.

This will allow them to rise by X percentage points less than the inflation rate. If the formula is reviewed every year or two, it will effectively guarantee a rate of return, because the regulator is bound to set the X factor in the light of past profits.

The main job of the Grid company, apart from maintaining the power lines, will be to ensure that power stations are switched on and off in order of maximum efficiency. Eventually it may be that a sophisticated spot market will develop as generating companies make competitive offers to get their power stations connected to the grid.

However, that will take some years to develop, particularly as an expensive computer system must be developed to handle the payments resulting from continuously varying amounts of power at changing prices. In the meantime, Mr Jefferies envisages the order of running (merit order) of power stations will be determined by the contracts agreed for the supply of power from individual power stations to each distribution company.

The contracts will specify a capacity charge entitling the distribution company to take power from the plant and an energy charge for the power actually consumed.

All these contracts will be handed to the grid which will despatch (switch on) power plant throughout the country in reverse order of their running costs. The 12 distributors will pool the benefits of the despatch system. However, if prices are squeezed down, distributors will doubtless try to reflect the fall in their next round of contracts.

Although this may sound complicated, it is conceptually simple compared with the task of fixing charges for use of the national grid. Mr Jefferies has decided that there should be a connection charge and a basic service charge, which will be uncontroversial, in principle at least.

The difficulty arises with the main tariff, because a charge that is out of proportion with costs might give seriously wrong signals to generators and pile inefficiencies into the system.

That is because the cost of sending electricity against the flow of rush-hour traffic is zero or even negative, whereas the cost of adding to the flow in congested lines may be very high indeed.

Channon sees air control critics

By Michael Donne in London and Lynton McLain in Amsterdam

MEASURES to prevent a recurrence of this summer's air transport chaos will be discussed at a meeting called by Mr Paul Channon, Transport Secretary, today.

Most of the chairmen and chief executives of the UK's airlines and regulatory bodies will attend.

They will include Mr Christopher Tugendhat, chairman of the Civil Aviation Authority, and Sir Norman Payne, chairman of BAA, formerly the British Airports Authority.

Mr Channon will outline measures taken by the Government to improve liaison between UK and European air traffic control centres.

Mr Michael Bishop, chairman of British Midland Airways, will ask Mr Channon to transfer Britain's air traffic control services to an air traffic control authority.

"The situation has become untenable for many UK airlines. The existing air traffic control system is extremely vulnerable and weak," Mr Bishop declared in Amsterdam yesterday.

"At the moment," he added, "although the Ministry of Defence and the CAA are responsible equally for air traffic control, the military accounts for only 10 per cent of the use of the system, while civilian airliners account for 90 per cent of the system."

Airline representatives at the meeting are expected to complain of a lack of adequate investment in air traffic control facilities and insufficient pressures on governments on the Continent to improve systems, many of which lag behind those in the UK.

There is a feeling in UK air transport that a closer relationship between all sides in civil aviation is needed.

The meeting is expected to cover the need for more terminals and runways in the UK, especially in the south-east.

UK NEWS

Lawson behind move to review pension benefits

By Philip Stephens, Political Editor

MR NIGEL Lawson, Chancellor of the Exchequer, yesterday emerged as the leader of a Government move to review the possibility of cutting back on the provision of universal state benefits for the elderly.

Amid obvious surprise in Whitehall, however, over the extent of media and political reaction to the proposal, the Treasury indicated no radical changes were likely before the next general election.

The Chancellor's suggestion, in weekend press briefings, that the Government might eventually exclude relatively well-off pensioners from some state payments, followed his decision to freeze child benefit in last week's Autumn Statement.

It drew a fierce response from the opposition Labour Party and from groups representing benefit claimants.

Mr Gordon Brown, the Labour spokesman on the Treasury, said that the Government was preparing its most "serious assault yet" on the welfare state.

He added that he was demanding that Mr Lawson make an immediate statement in the House of Commons on the issue.

Backbench Conservative MPs, many of whom rebelled against the Government last week over the introduction of new charges for dental and eye tests, also expressed disquiet over the plans.

The Government has refused to try to dampen the row over the charges by exempting the elderly, and it faces another revolt on the issue in the House of Lords tomorrow.

Some peers were suggesting yesterday that the latest reports had strengthened the possibility that the Government would be defeated.

Mr Lawson believes the justification for indiscriminate payment to the elderly of several benefits has been considerably weakened during the 1980s, as the majority of pensioners have seen their incomes rise sharply.

The argument is that available funds should be aimed at those really in need through means-testing of benefits.

Among the benefits which might be limited through means-testing are the £10 Christmas bonus, special supplements paid to people older than 80 years, and the universal exemption for the retired from prescription charges.

Both the Treasury and the Prime Minister's office made it clear yesterday, however, that the Government remains "firmly committed" to maintaining the present value of the state retirement pension, which is paid regardless of income.

A Treasury spokesman added that the public spending plans for the next three years, published in the Autumn Statement on the economy, also assumed the structure of other benefits remained unchanged. That would point to any radical shifts being delayed until after the next general election.

Mr Lawson's comments are thought to reflect the Treasury's long-standing concern to reduce the scope of universal benefits.

The freeze on child benefit for the second consecutive year is acknowledged privately in the Treasury as being part of a strategy to eventually phase it out as a universal benefit.

Independent TV groups face blow

By Raymond Snoddy

BRITAIN'S independent television system will face another unexpected financial blow today with the publication of the long-awaited Government policy document on the future of broadcasting in the UK.

The policy document will also advocate the creation of a new national fifth television channel, the replacement of the Independent Broadcasting Authority, which oversees independent television, by a commercial television authority and the creation of up to three new national commercial radio channels and hundreds of local radio stations.

The Government has decided to use lump sum bids to allocate franchises for the Independent Television network (ITV) and to impose a continuing progressive levy on ITV advertising revenues throughout the new eight-year franchises.

The double financial mechanism will ensure that the Treasury gets what it sees as an adequate return from the right to use the airwaves – which ares still seen for some years yet as a scarce resource.

Market safeguards to be repealed after electricity sell-off

By Max Wilkinson and Maurice Samuelson

THE 1983 Energy Act, intended to promote competition in electricity generation, is to be repealed when the industry is privatised, and it appears that similar safeguards will not be included in the new Bill.

As a result, many small independent producers and industrial power generators fear they will be frozen out by the private monopolies which will take over from the present Area Boards which generate electricity supply.

Mr John Macadam, secretary of the Association of Independent Electricity Producers, said several large users of electricity wanting to install combined heating and generation systems have been told the area boards may not be interested in buying surplus power after privatisation.

Under the 1983 Act, area boards must buy power from an independent producers at a price at least equal to the cost of purchasing it from the Central Electricity Generating Board.

In the US, where most electricity utilities are private, the Public Utilities *Regulatory* Policies Act of 1978 provides a similar safeguard for small generators. It has resulted in more than 3,700 proposed schemes with total capacity of 61,000 megawatts, equivalent to the power from 50 nuclear reactors.

Both Acts were intended to promote combined heat and power plant (CHP) which can achieve much higher efficiencies than conventional power stations by putting "waste" heat to use. To be viable, however, such schemes must find a buyer for any surplus electricity produced.

The 1983 Act enjoined area boards to "adopt and support" schemes for CHP – then recognised as helpful in boosting national energy efficiency – but this clause is also unlikely to survive.

It is feared that after privatisation, the UK's area boards may try to discourage private generation because they will not want to lose their larger customers.

The UK Government believes that special safeguards will be unnecessary after privatisation, because it *hopes to create a wholesale* market in power.

CONFEDERATION OF BRITISH INDUSTRY

Businessmen rally to a confident call

By Ralph Atkins

BRITISH businessmen, as epitomised by the Confederation of British Industry (CBI), were determined yesterday to build more than mere sand castles at its annual conference in the seaside resort of Torquay, south-west England.

Bristling with confidence, CBI leaders pledged to build a better community, invest boldly in education and training and rejuvinate inner cities.

It would put the City, London's financial sector, firmly in its sights; seeking out those playing for short-term gain, persuading others not to underrate the value of British industry.

The single European market in 1992 is set to dominate the conference. Symbolically, Torquay almost – but not quite – faces the chill winds of competition from Europe.

The conference logo depicts a three dimensional 1992, rising like a series of tower blocks. On a blue (almost Tory blue) background, it is tinged with green blobs, meant to resemble bushes and showing that the greening of British politics does not exclude the CBI.

Before yesterday's opening press conference, Mr John Banham, director general, left the grand Imperial Hotel to jog for the benefit of photographers. British industry may be leaner and fitter, but he still took his green Daimler to the seafront.

In contrast, Sir Trevor Holdsworth, 61, former chairman of GKN is the quiet guy. With short curly hair and craggy features, he smokes cigars and, when reading, peers through the bottom of his glasses.

The two team leaders introduced their latest reports – on attitudes to the City and employee relations. Mr Banham proudly boasted management now ranked only third in the careers aspirations of undergraduates after medicine and law.

"This whole meeting is not a political rally. It is a conference and we expect that all issues will be get a thorough and vigorous debate, Mr Banham said earnestly.

The slogan writers have been busy too. The programme is riddled with the businessman's version of catchy one-liners: "Building a better community", "People – the cutting edge of competitiveness", or "Initiative 1992: preparing British business."

In the exhibition area of the conference centre – titled the English Riviera Centre – it was an open market for the most patriotic music or most posh commentary voice on company videos. British Steel was an easy winner with its repetitive rendering of Elgar's first symphony.

In the neat gardens along the seafront, enthusiasm was more muted.

Ms Annie Kirke, retired, on a weekend break from Sheffield with her neighbour, Mr Ted Green, were bemused. "The CBI? I have never heard of them," she admitted after careful thought.

Builders offer incentives as new house sales slow

By Andrew Taylor, Construction Correspondent

SOME OF Britain's biggest housebuilders have begun offering part exchange deals and mortgage subsidies in an attempt to maintain their level of sales. The schemes, most widespread in southern England, were introduced following a sharp drop in new house sales and reservations in September.

It is the first sign that the slow down in the housing market is causing concern among builders, who say that the market has since recovered, although some say sales and reservations in October remained slightly lower than they had been forecasting.

Taylor Woodrow and Ideal Homes, two of the larger builders, say reservations in parts of the south east dropped by between a quarter and a third in August and September.

Incentives introduced by builders include an offer to reduce mortgage payments by up to £250 a month by Fairclough Homes on new houses at Burnham-on-Crouch and Chelmsford in Essex.

December and late November are traditionally quiet periods for house sales so the next test for the market will not occur until after Christmas. February is normally another quiet month before the big Spring buying.

Most builders are confident, however, that the strength of the economy, lower unemployment and higher wages will offset any significant loss of confidence in the market.

UK NEWS

Japan top source for Scottish electronics sector

By James Buxton, Scottish Correspondent

JAPAN has overtaken the US as the largest source of components for electronics companies in Scotland, a survey of the Scottish electronics industry shows.

Japan's share of main component sourcing for the industry has risen from 8 per cent in value terms in 1985 to 30 per cent in 1988.

The share held by US companies has fallen from 38 per cent to 9 per cent. Companies with headquarters in Scotland account for 18 per cent compared with 17 per cent in 1985, and those in the rest of the UK for 25 per cent compared with 23 per cent in 1985.

The 1988 Scottish Electronics Industry Database, compiled by the Scottish Development Agency from a survey of electronics companies, is considered one of the most detailed studies of the UK electronics industry.

The database shows that output by the Scottish electronics industry has risen 28 per cent since late 1985 to £3.6bn in factory gate prices.

The industry employs 46,200 people, a rise of only 2 per cent, although the proportion of graduates and highly skilled technicians has risen by 25 per cent.

The survey shows that nearly 20 per cent of manufacturing companies in Scotland are working with surplus capacity of 50 per cent or more.

Companies with headquarters in the US predominate in the Scottish electronics industry, accounting for 77 per cent of turnover, against a level of 3 per cent for Japanese companies. Companies with Scottish headquarters account for only 3 per cent, and those based elsewhere in the UK for 15 per cent.

Continental EC countries make up the largest single market for the industry, taking 46 per cent of output, with the UK taking 33.5 per cent, the US 8.5 per cent and Japan only 0.5 per cent. In 1985, the mainland EC took 31 per cent, the UK 35 per cent, the US 13 per cent and Japan 1.5 per cent.

The agency says the overall impression is of substantial and continuing growth, but adds that some trends are worrying. Although Scotland's share of the market for all inputs has risen from 12 per cent in 1985 to 15 per cent in 1988, there are still "enormous opportunities" for Scottish companies to supply components and services.

Japanese companies are exporting disk drives, cathode-ray tubes, keyboards, monitors, printers, semiconductors, printed-circuit boards and small motors to Scotland, even though the printed-circuit board sector is the largest in Scotland's indigenous electronics industry and small motors are made by Scottish companies.

Scottish suppliers blame the unpredictability of order placing by big companies, and questions of price and short lead times as their obstacles to winning orders from the companies. Companies surveyed said the items they would most like to buy locally were printed-circuit boards, plastic mouldings and metalwork.

NHS medicines bill 'still less than 10% of costs'

By Alan Pike

THE NATIONAL Health Services's medicines bill last year – £2.162bn – was still less than 10 per cent of its overall costs, the Association of the British Pharmaceutical Industry says in a report published today.

That, the report says, amounted to 10p a person a day, compared with consumer outlays of 17p on newspapers and magazines, 37p on tobacco, 83p on alcohol and £1.87 on food.

By international standards the UK spends less on medicines per head of population than most developed countries.

But the report says that evidence on regional variations suggested that social factors such as unemployment, poverty, stress and consumer expectations significantly influenced medicine consumption levels.

They were, for example, 40-50 per cent higher in Wales, Northern Ireland and north-west England than in the Oxford health region.

About 8 per cent of worldwide research and development funded by the pharmaceutical industry takes place in the UK even though the market accounts for only 2 per cent of world medicine sales.

But there was none the less concern that the proportion of international pharmaceutical research in the UK had fallen slightly in the past few years.

The report warns that "inadequate public expenditure on university-based research and teaching is an even greater worry."

The Pharmaceutical Industry and the Nation's Health. ABPI, 12 Whitehall, London SW1A 2DY. £5.

Disciplinary constraints on doctors 'inadequate'

By Alan Pike, Social Affairs Correspondent

THE General Medical Council's disciplinary procedures fail to provide adequate protection against unsatisfactory doctors, a lay member of the council argues in a report published yesterday.

"If there is no obvious evidence that he or she is ill, drunk or drug-addicted, the GMC seems to have no power over the doctor who does a consistently lousy job," says Ms Jean Robinson, who has served on the council for nine years and is concerned with consumer issues in health care.

The report says the medical profession has built up a highly efficient defence mechanism to prevent outside investigation of the quality of care.

It says that up to 75 per cent of complaints to the GMC are screened out at an early stage without even council members knowing the details. Ms Robinson adds that the chance of a complaint reaching the senior doctor who acts as preliminary screener depends more on its nature than its seriousness.

"If you allege that Dr Brown kissed you in his surgery, even with your consent, the preliminary screener will see your letter. If you say that Dr Brown gave you the wrong injection and paralysed you, he will not."

That is because members of the public who allege negligence are told to take their complaints to the appropriate NHS health authority. The GMC may decide to investigate a complaint later if the health authority substantiates it.

The report says, however, that an NHS investigation may take two years or more. The NHS procedure "might have been tailor-made" to prevent patients getting their complaints validated.

Hospital doctors in particular had therefore been "largely immune from GMC action on clinical standards." But nothing in the act setting up the GMC in its present form or its rules required complainants to use NHS procedures first.

Under the act, the previously largely academic council was doubled in size, and most of its members are now elected by the medical profession. The report says there is now a crucial question: "How effectively does a body which consists largely of doctors, the majority of whom are now elected by doctors, carry out the duty entrusted to it by Parliament to protect the public?"

Ms Robinson argues that the requirement that doctors must be guilty of "serious professional misconduct" is too high, and calls for a lesser offence of "professional misconduct."

A Patient Voice at the GMC. Health Rights, 344 South Lambeth Road, London SW8 1UQ. £4.95 plus 55p p&p.

Lessons to learn before opting out

David Thomas on the efforts of a Bolton school to stay open

Mike Arron

Headmaster Chris Hampson: Proud of his school among the council houses

A run-of-the-mill comprehensive surrounded by bleak council estates in a solidly Labour part of Bolton looks set today to become the latest school to back a key part of the Government's educational reforms.

Parents at St James Comprehensive appear to have voted in favour of breaking with Bolton Council. The ballot, only the second test of the Government's policy of encouraging schools to opt out of local authority control, has split the close-knit Lancashire town, pitching a determined group of parents against the local council.

The St James result will be studied even more closely than the overwhelming vote in favour of opting out recorded by parents at Skegness Grammar School last week, since the Bolton school is more typical of those likely to be interested in the possibility of opting out.

St James is more representative of the country's schools than Skegness, a 400-year-old foundation where the teachers still wear gowns in affirmation of the academic grammar school tradition.

Moreover, unlike Skegness, St James is threatened with closure – precisely the factor motivating most of the other schools showing an early interest in opting out.

Like most educational authorities, Labour-controlled Bolton has been faced with a sharp drop in school rolls. The number of pupils entering the four secondary schools in south Bolton has fallen by almost 30 per cent in the last five years.

From 1986 onwards, it became increasingly clear that the council wanted to close one of the four secondary schools in south Bolton. Attention focused on St James, the smallest of the four and coincidentally almost big enough by itself to account for the 850 surplus places that the council believes it will have by 1991.

After a long period of uncertainty, the council finally proposed closure this year. Mr Mike Willis, Bolton's deputy director of education, argues that the closure would save £70,000 a year in direct running costs alone.

However, the council reckoned without the school's ability to turn to the new opting-out provisions as a lifeline. St James's speed of response speaks volumes for the enthusiasm of Mr Chris Hampson, the head teacher, and a core group of parents who had come together in 1986 to spearhead a fund-raising appeal for building repairs.

Mr Hampson is visibly proud of a school which, like the red-brick estates surrounding it, is showing the wear and tear of years of spending restraint.

Many of the most active parents are motivated by a desire to preserve the religious underpinning of the Church of England school.

The core group took the campaign to opt out to all the parents with, by all accounts, considerable success. Hundreds of parents turned up to meetings at which there was standing room only.

They also set about finding out exactly what was meant by the brave new world of opting out.

Mrs Jean Kerr, with two children at the school, recalls a meeting in a coffee bar on Manchester's Piccadilly Station with Mr Andrew Turner, director of the Grant-Maintained Schools Trust, a national body set up to advise schools on opting out. The future of the staff, pension rights, funding, curriculum, buildings, school meals, advisory services – those were just some of the issues raised with Mr Turner.

The preparations were prudent, for, unlike Skegness, where the divorce from Lincoln County Council is amicable, St James is likely to be on its own.

Bolton Council wrote to parents last week saying that by opting out the school "will turn its back on a range of specialist educational services, advice and support, provided by the Bolton authority."

As an opted-out school, St James would receive its funds direct from central government. However, the parent activists recognise that they will have to put in much more work to sustain the school.

Mr Hampson says that as a church school St James will get organisational support from the Manchester diocese.

As St James prepares for a life of independence, however, local authorities around the country will be pondering the implications. For it now seems probable that most schools not already dead on their feet will react to a closure proposal by trying to opt out.

Mr Kenneth Baker, Education Secretary, has to give the final go-ahead before a school opts out. In theory, he could turn down an application on cost grounds. However, most observers expect him to back parental wishes over cost saving, at least for the opting out pioneers.

But where does this leave a council like Bolton trying to bring school capacity into line with demand? If it were to try to close another school in south Bolton, there is nothing to stop the parents of *that* school from following St James's lead.

Globe Investment takes over Morley

By Barry Riley

GEOFFREY MORLEY, one of the pioneering independent pension fund management companies, has been bought by Globe Investment Trust, subject to regulatory approval.

The share exchange deal values the company at £5m. That compared with some £6.5m implied by the terms of a private institutional share placing just before the stock market crash last year.

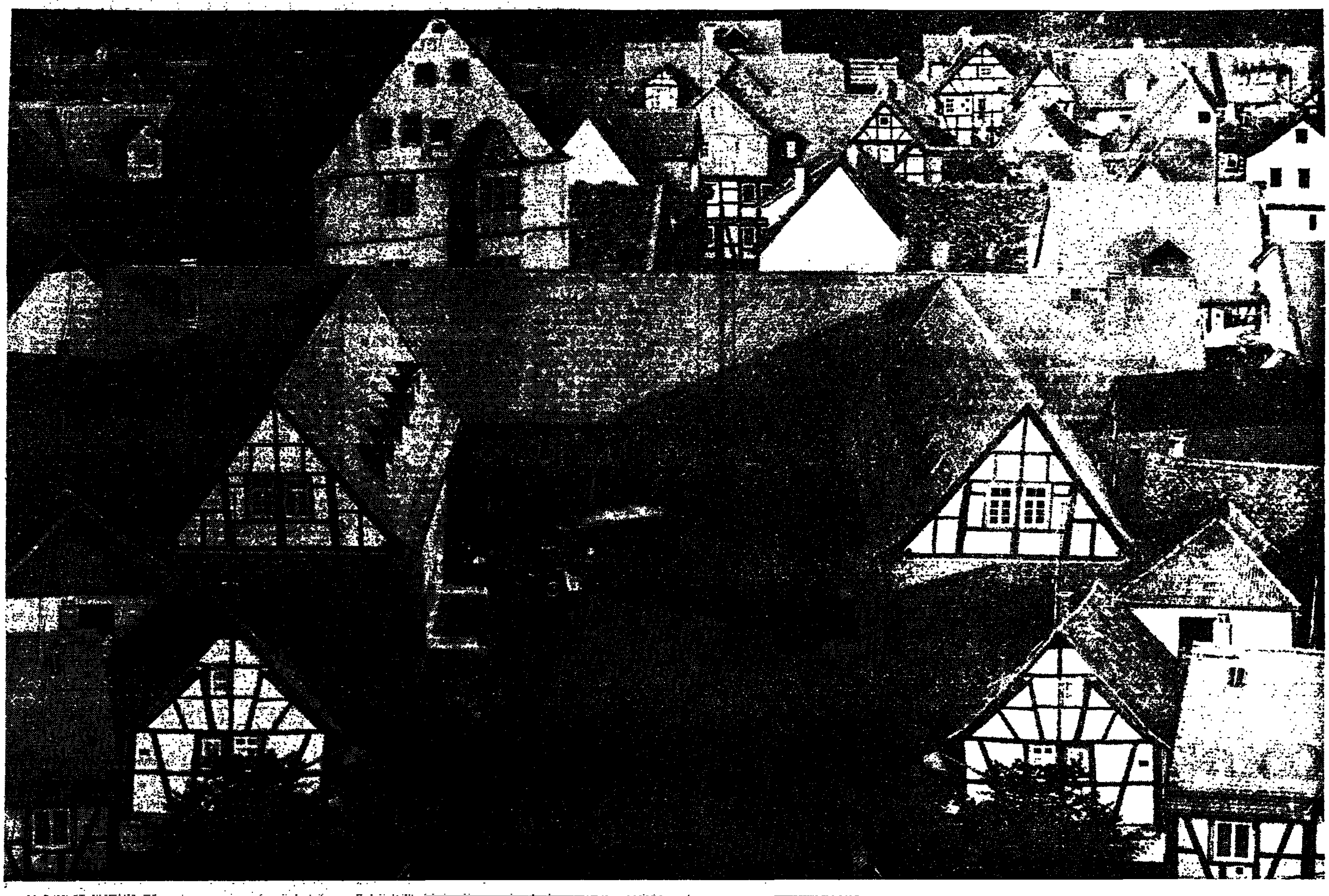
The crash hit Morley hard. Before the market collapse it managed a peak £1.3bn for 26 pension fund clients. Now it looks after £700m for 20 clients.

Globe Investment Trust was one of six institutions that bought 40 per cent of Morley in last year's placing. Separately, it decided to set up its own pension fund management business, which it launched last July, and which so far manages just £25m.

It has been agreed that the two operations will fit well together. Both have offered all-equity management styles, and Globe is free of banking or insurance connections that might have offended Morley's clients.

Morley has been increasingly troubled by its lack of marketing resources and by the cost burden imposed by the new regulatory structure for the financial services industry. Globe, which has assets of £1.2bn, will provide the financial resources to overcome these difficulties.

Morley's staff will join the merged Globe Morley operation in March, and the chairman, Mr Norman Pilkington, will become managing director. Mr David Duncan, Globe's director of pension funds, is to become chairman of Globe Morley.



UK NEWS

Shah tries again with Post appeal

Raymond Snoddy on the launch of a national newspaper

MR EDDIE SHAH, the harbinger of Britain's newspaper revolution and founder of the Today newspaper, will today launch a radical approach to raising money for charity.

He will announce his Penny Post appeal three days before having, with the launch of the tabloid The Post, his second chance to prove he can be a national newspaper proprietor.

Companies such as Shell UK and Cadbury have been persuaded to donate, to the National Society for the Prevention of Cruelty to Children, a penny from the sale of a gallon of petrol or a chocolate bar.

Mr Shah also wants his readers to donate new pennies.

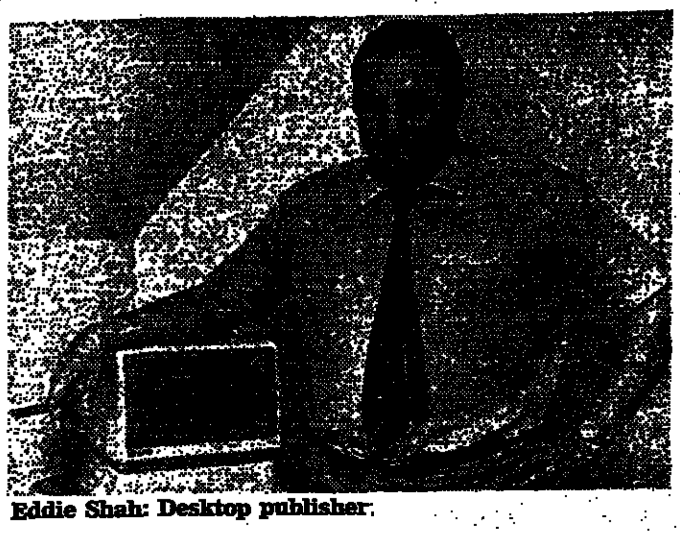
"It will raise millions for the NSPCC," says the restless and incurably optimistic Mr Shah.

It is also an innovative way to realise some benign publicity for a newspaper with a promotional budget of only £1.5m, a budget that can be matched many times over by his three powerful competitors, The Sun, the Daily Mirror and The Star.

It is just over two years since Mr Shah was forced to retreat to Warrington after ownership of the loss-making Today passed to the big battalions - Lonrho, then Mr Rupert Murdoch. Why should he be taking the risk again?

Mr Shah, chairman of Messenger Nationwide, the company launching The Post, says: "Because newspapers are my business and because the only failure I ever had that had any meaning was Today and even the theory of that was right. Everything I did has been slavishly copied since."

He says The Post is another stage in the transformation of the national newspaper industry, the arrival of the low-cost national newspaper and with it low-cost advertising.



Eddie Shah: Desktop publisher.

It is also another manifestation of Mr Shah's addiction to tackling things "that people say can't be done."

He emphasises the differences between The Post and Today, but the differences do seem considerable.

"I have learnt my lessons," says Mr Shah, who has been backed by RIT Capital Partners, an investment trust run by Jacob Rothschild Holdings, and Chelsfield, a private investment company, each of which holds 47.3 per cent in the £4m venture.

What are the differences?

- Technology: This time, in contrast to Today, the technology will almost certainly be ready. Mr Shah will be the first newspaper proprietor to use a desktop publishing system to produce a national newspaper, in this case linking Apple Macintosh personal computers.
- Dummies produced: The PCs produce the 22 paid-for and free local titles in Mr Shah's Messenger Series and full dummies of The Post have been produced for the past two weeks.
- Defined market: The paper will be aimed firmly at the mass tabloid market and will try to avoid the ambiguity of role that afflicted Today.

"Don't think we are not going downmarket. We are going to produce a tough newspaper," says Mr Shah. None the less, he emphasises that The Post will stay away from what he calls the "soft pornography" of some other dailies and will support legislation to prevent intrusion into privacy.

- Tabloid editor: The Post has an experienced tabloid editor in Mr Lloyd Turner, former editor of The Star, and many of the journalists have worked for The Sun and The Star. His Today recruited many provincial journalists who had no experience on nationals.
- Managing director: The managing director of the new company is Mrs Helen Graham, a key figure in the business success of Messenger newspapers and seen as a power house in the new venture.
- Immediate political identity: The paper is to have a political identity from the outset. In the past few days it has been decided that The Post should be a centre-right newspaper, although formally it will still be independent of any political party.

The largest question remains unanswered: is there space in the gently declining mass tabloid market for a low-cost entrant?

Mr Derek Terrington, newspaper and publishing analyst of Philips & Drew, stockbrokers, said: "The mass market is very, very competitive. He is going to have a hard task, desktop publishing or not."

Mr Mike de Vere, head of newspaper buying for Zenith, the Saatchi & Saatchi advertising agency, said there must be cynicism left over from Today's launch which would be difficult to overcome.

He said: "It's got to reach that critical mass which Today now has to make it significant to advertisers rather than a bolt on at very low cost."

Mr Shah hopes that on Thursday he will have printed 1m colour copies under contract in six printing plants.

However, he says regular sales of 370,000, with 26 per cent advertising, will mean break-even. Sales of 500,000 and no advertising would have the same effect, according to his financial projections.

What happens if the circulation settles at 250,000 and advertising revenue is low?

"Then it's a business decision on whether we have misjudged the market," said Mr Shah. He believes the public is prepared to give him a second chance.

Finance-computer company links growing

By Alan Cane

LEADING computer firms are forming strategic alliances with financial services companies to exploit the potentially huge market for information technology systems and training among intermediaries in the financial services business.

One of the groups – as yet unannounced – includes International Business Machines (IBM), the world's largest computer manufacturer. The other, launched at last week's Money Show at Olympia, west London, is led by Bradford-Pennine Insurance, a subsidiary of the Sun Alliance Group.

Both groups will be offering services involving expert systems, an advanced technology that enables computers to mimic human reasoning.

There are an estimated 50,000 intermediaries – insurance brokers and other companies that mediate between the public and insurance companies – in the UK.

Surveys carried out over the past few months indicate that most make comparatively little use of information technology to help them to run their businesses more efficiently.

The same surveys showed a overwhelming need for training, especially for support and junior staff in small firms.

IBM, which already offers extensive computing services to the UK insurance industry, is involved in a joint venture called Project Integra.

Other members of the group are the College for Financial Planning, which produces education and training programmes for the retail financial services industry, Fame Computers of Birmingham, a leading vendor of insurance industry software, and Business Insights of Atlanta, Georgia, a market research consultancy which has special expertise in surveying the insurance business.

A survey carried out in the UK among insurance intermediaries by Business Insights identified the need for technology and training and was the chief stimulus for the establishment of Project Integra.

Mr A.R. "Kim" Brook of IBM's financial services networking division said the venture was likely to begin selling its services in the second quarter of 1989.

It would offer financial products such as personal financial planning systems, which brokers could use on a personal computer in their offices, as well as computer-assisted training through IBM's Finesse datacommunications network for the financial services industry, launched at Olympia last week.

Fame Computers would take responsibility for converting educational material prepared by the College for Financial Planning into computer-based modules.

Mr Brook said that education was neglected, especially in small businesses, because the principal was too busy seeking new business to train his or her juniors. Computer-based methods were one way of overcoming that.

The modules would include competence testing. The results would be fed back through the network and analysed using an expert system to refine, update and improve the courses.

Bradford-Pennine has so far invested about £5m in the establishment of a consortium it calls the Ra Group – a reference to the parent company, Sun Alliance – essentially to market integrated software products to the financial services industry.

Members of the group are North Park Computer Services, a subsidiary of Bradford-Pennine; Quintec, a software house specialising in artificial intelligence; Fides Software which builds financial planning systems; Fairs, which writes business management software; Independent Systems which builds financial services dispensing systems; and Applied Knowledge, a networking specialist.

Mr Kenneth Sinfield, chairman of the group and general manager of Bradford-Pennine, said Ra would offer products which could be integrated one with another, and which used standard hardware. It was completely committed to "open systems," the rules that guarantee that computer systems will work together.

Mr Sinfield said Bradford-Pennine had become convinced of the potential for such a consortium through its experience with North Park Computer Services, now with more than 1,400 customer installations.

"The need for good financial software is insatiable," Mr Sinfield said. He said that Ra was not a closed group and that other computing companies with innovative and compatible products would be able to join.

Key step to a paperless insurance market

By Nick Bunker

A PAPERLESS insurance market in London will come a significant step closer to reality this morning when at least four leading brokers, including C.T. Bowring and Willis Faber, start sending claims to insurance company underwriters electronically via a computer network managed by IBM.

In time, this might largely do away with the familiar sight in the streets of the City of London of scores of junior brokers ferrying piles of paper claims files on foot from one insurer to another.

However, according to Mr Roger Townsend, Bowring's group management services controller, the prime concern is "to improve the claims service we offer to clients. It's the area where the London market has traditionally come in for criticism."

The new system should also represent the first important business application of the London Insurance Market Network (Limnet). Limnet, launched jointly in May 1987 by Lloyd's, the insurance broking community and the insurance company market, is an electronic data interchange network intended to cut costs and bolster London's international competitiveness by speeding up the flow of money and information.

At the heart of today's events will be the Policy Signing and Accounting Centre (PSAC), on the Thames Embankment. PSAC is a central back-office support facility for 130 non-marine insurance and reinsurance companies, including leading names such as Excess Insurance, Munich Re and Swiss Re. It began working on an Electronic Loss Advice and Settlement System – or "Elass" – in late 1987, and received the go-ahead last May.

Today's official launch of Elass means that brokers can transmit claims to PSAC's member companies via personal computers in their offices. They will input details of the claim including the date, amount, the name of the policyholder or the reinsured insurance company, the location of the loss and up to 50 characters of description.

Via Limnet, the information from the broker will then be directly accessible on screen to the relevant company underwriters, either on line or by a nightly batch input. Mr Roger Foord, PSAC's planning manager, said: "Every morning, the claims manager will be able to look at his terminal and see every claim that's been filed."

Using an interactive link to PSAC's database, the underwriter can then call up a copy of the original "slip" – the document that carries details of the original insurance or reinsurance policy. The underwriter can also call up on screen a history of premiums and claims payments relating to the same risk back to 1977.

Armed with that information, the broker and the principal underwriter on the risk can then arrange an appointment for face-to-face discussions. Alternatively, in some cases up to a negotiated limit, the claims will be settled and paid automatically, Mr Foord said.

Test trials preceding today's launch began in September. By the end of the year, PSAC hopes that nine brokers altogether will be using Elass, possibly including Sedgwick, the largest. Business volumes handled through Elass are expected to be small to start with – as brokers and underwriters get used to the system – but should reach "significant levels" by mid 1989.

At Bowring, however, about 100 claims staff could be using the new system initially, with 50 terminals between them. Mr Townsend says his company has a target date of March 30 for electronically transmitting all the 500 claims it sends to PSAC member companies each month.

According to one leading broker's systems director: "To give you a flavour of the benefits, I'd say that staff numbers on the claims side is the one area where brokers' head count is growing. This system could arrest that."

There is no firm indication yet of how soon Lloyd's underwriters will be receiving claims electronically. Mr Murray Lawrence, chairman of Lloyd's, has set a deadline of early 1990 for all 380 Lloyd's syndicates to join Limnet, to make electronic claims transmission feasible.

BP to expand petrol station shops

By Maggie Urry

BRITISH PETROLEUM is investing £50m to build 120 shops at its petrol stations by the mid 1990s. BP owns 900 of the 2,000 BP petrol stations and has 21 shops at petrol stations.

Mr Keith Perkin, general manager of BP Express Shopping, said expansion followed three years of operating shops.

About 40 per cent of sales at a site usually came from the shop rather than from the forecourt but, because petrol was a lower-margin product, about 60 per cent of profits came from the shop.

The average cost of £500,000 a site included rebuilding the station. About half the cost could be attributed to the shop. Each shop will have about 1,500 sq ft of sales area and stock 2,500 lines.

Most customers lived within half a mile and 40 per cent came on foot.

LEGAL COLUMN

Women lawyers face an unequal profession

By David Churchill

WOMEN HAVE been equal in the eyes of the law for many years. However, in the legal profession itself there exists considerable evidence to suggest that they still have some way to go to be treated on equal terms with male counterparts.

For a profession whose services are much in demand – but which is facing a crisis in recruiting good law graduates – the way in which women are treated by it is a puzzle.

So much so, in fact, that a Law Society working party into the issue has suggested that firms consider radical (for legal firms) steps to stem the wastage of women lawyers and encourage them to stay.

Such concepts as job-sharing, career breaks, in-house creches and maternity leave written into partnership deeds may not seem revolutionary in the wider commercial world. But in the legal arena they are considered just that, and few firms seem willing to embrace the issue by bringing in such a package of measures.

One woman partner in a leading City firm was quoted in a recent magazine article as saying: "It is next to impossible to have a family and continue a career as a partner in a City firm. And yet absolutely no consideration has been given to how to retain women who are beginning to represent a vast percentage of solicitors."

According to Law Society figures, there are many more women legal graduates than a decade ago: 46 per cent of the total in 1986 compared with 30 per cent in 1977. In 1986-87, moreover, for the first time a higher proportion of women than men passed their final law examinations.

What the figures also show is what happens next to women lawyers. Only a third of women who entered the profession in 1977 are now partners, compared with two-thirds of men. Another survey also shows that only some 56 per cent of the women in the 1977 intake are still working full-time, compared with nearly all the men.

Such statistics have been taken to heart by the new intake of women lawyers. The recent survey of graduates by Gouldens, a firm of solicitors, found low salary and partnership expectations among women thinking of entering the profession.

Almost a third of women surveyed, for example, expected to earn less than £9,000 on joining, while only 18 per cent of men expected this.

"Women's expectations of their long-term earning potential remains consistently lower than contemporary male expectations," the survey concludes.

"We were surprised by the lack of confidence shown by some female law students, although law firms must shoulder some of the blame for failing to encourage and promote adequate career structures," it adds. More significantly, the survey showed that a quarter of the women questioned felt the profession had a "pompous and pedantic" image.

The plight of women in the legal profession does not stop with solicitors: only 7 per cent of new QCs last year were women. Out of a total of 635 QCs, only 25 are women.

The biggest criticism of women in the profession – which used to widely heard in industry – is that they are not committed in the same way as men because of the likelihood they will opt for motherhood at some stage in their careers.

Yet as Linda Packard, chairman of the Law Society's working party, points out: "It is in the interests of both the profession and the public that there should be greater flexibility to enable women to have children without sacrificing their careers."

Anna Turnbull-Walker, for example, an assistant solicitor with Hatten Wyatt, a firm of solicitors in Gravesend, Kent, is now into her third pregnancy although continuing to work part-time with the firm.

Hatten Wyatt has found that good organisation and a commitment to teamwork has enabled it to incorporate her working hours.

Her advice to other would-be mothers in the legal profession is not to compromise. "Good lawyers are in short supply and if a firm does not think enough of you to adapt old working methods, then leave."

Many working mothers in the profession believe that small to medium sized firms are likely to be most flexible. The large City firms can pick and choose and have no real trouble attracting high-calibre staff.

Although the Law Society's working party highlighted the problem of wasted women, the profession is unlikely to come to real terms with the need for equality until the recruitment crisis forces it to tackle the issue head-on. By then, of course, fed-up women solicitors may have decided to take their hard-won skills where they will be more appreciated elsewhere.

Denton Hall gains 80 staff from Oppenheimers

SOLICITORS Denton Hall Burgin & Warrens appears to have gained most from the problems which led to the recent dissolution of the Oppenheimers partnership.

Some 80 Oppenheimers staff have joined Denton Hall, creating the fifth-largest practice in London in terms of partnership numbers.

Oppenheimers appeared to fall foul of internal dissentions over management style, the division of partnership profits and where the practice should be located in central London.

Denton Hall provided a safe haven for the bulk of the Oppenheimers staff who were caught out by the internal wranglings. Headed by Mr Tony Alexander, some 18 partners, 15 associates and 47 assistant solicitors have joined Denton Hall.

"We were delighted to be able to attract so many like-minded lawyers to join us," said Mr Michael Flint, chairman of Denton Hall. "Our services to our clients will be enhanced by our larger resources in key areas and by our increased strengths in specialist fields."

Mr Alexander, a former Oppenheimers partner, added: "We are all very excited about the greater scope this move will provide for us."

The Oppenheimers affair has raised many questions in other small to medium-sized practices in the City and elsewhere about what happens when things go wrong. The hope is that the lessons to be learnt will stave off other internal rebellions from disgruntled partners.

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The successful applicant will be expected to move to the Ipswich area if he or she has not the luck to be living there already.

Those who wish to apply or who would like to learn more about the quality of life and work are invited to meet the Partners either in London or Ipswich, whichever is more convenient.

For more information, please contact:-
Alistair Allan, Masters, 2 London Wall Buildings, London Wall, London EC2M 5PP.
Telephone: 01-628 4200.

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CONTRACTS & TENDERS

ADVERTISEMENT NOTICE
PREQUALIFICATION OF CONTRACTORS

The Roads and Bridges Public Corporation are in the process of negotiating a foreign loan for the rehabilitation of the Port Sudan Road from Gedaref to Port Sudan (762 km), of which approximately 500 km are to be rehabilitated.

The project will be divided into two separate Contracts, although the combination of these two Contracts into one may be considered.

The project will be calling for bids before the middle of 1989 and the invitation to bid will be restricted only to prequalified contractors.

Experienced highway and bridge rehabilitation contractors from the member countries of the World Bank/International Development Association are invited to apply for prequalification to bid. Further details and application forms may be obtained from

Roads and Bridges Public Corporation
P.O. Box 756
Khartoum
Sudan

OR

Norconsult International A.S.
Kjorboveien 20
1300 Sandvika
Norway

Application forms are available from 10 November 1988 and completed forms must be submitted not later than 12.00 hours (local time) 22 December 1988 to Roads and Bridges Public Corporation as well as to Norconsult International A.S.

BANKING LAWYER

International bank currently seeks a young solicitor or barrister with a minimum of two years' post qualification experience to work as an assistant in their legal department.

An all round knowledge of the banking market is essential as is the ability to handle a very pressurised workload.

This provides a good opportunity for an ambitious lawyer who is seeking a steady career path.

Salary is related to age and experience but the overall package includes standard banking benefits such as subsidised mortgage and loans.

FOR MORE INFORMATION CONTACT
ABBY EDWARDS ON 01-236 1113
OR FORWARD YOUR DETAILS TO
PORTMAN RECRUITMENT SERVICES LTD, 15
GREAT SAINT THOMAS APOSTLE, EC4V 2BB

PORTMAN LEGAL

COMPANY NOTICES

Continental (Bermuda) Limited
US$ 250,000,000
Floating Rate Notes due 2006
Guaranteed by
Hungarian Foreign Trade Bank Ltd.

Notice is hereby given that, as at the valuation date 28th October, 1988, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US $ 53,463,280.00 and the value of the Company's reserve fund was US $ 44,165,341.53. The aggregate value of the Noteholders security was thus 39.05 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as a recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
Girozentrale und Bank
der Osterreichischen
Sparkassen Aktiengesellschaft

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN MARUBENI CORPORATION

EDR holders are informed that Marubeni Corporation has paid a dividend to holders of record March 30, 1988. The cash dividend payable is Yen 2.5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No.14 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 30, 1988.

Amounts payable in respect of current dividends.

Coupon No.14 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$196.85	$167.32	$157.48
1,000 shares	$19.68	$16.73	$16.74

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank
(Luxembourg) S.A.
16 Avenue Marie Therese

November 7th, 1988

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN MAKITA ELECTRIC WORKS LTD

EDR holders are informed that Makita Electric Works Ltd has paid a dividend to holders of record February 16th, 1988. The cash dividend payable is Yen 9 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.
EDR holders may now present Coupon No.17 for payment to the undermentioned agents.
Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Coupon No.17 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$708.65	$602.37	$566.93
1,000 shares	$70.86	$60.23	$56.69

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank
(Luxembourg) S.A.
16 Avenue Marie Therese

November 7th, 1988

COMPANY NOTICES

OK BAZAARS (1929) LIMITED

(Incorporated in the Republic of South Africa)
Notice to 6% Second Cumulative Preference Shareholders
Dividend Number 100

NOTICE IS HEREBY GIVEN THAT the half-yearly dividend of 3% has this day been declared payable on 30 November 1988, in the currency of the Republic of South Africa, to all holders of 6% Second Cumulative Preference Shares registered in the books of the Company at the close of business on 11 November 1988.

The usual non-resident shareholders' tax of 15% will be declared where applicable.

The Register of Members will be closed in Johannesburg and London from 12 to 19 November 1988, both dates inclusive, for the purpose of the above dividend.

BY ORDER OF THE BOARD
P E KRITZINGER
Secretary

Registered Office
OK Buildings
80 Eloff Street
Johannesburg 2001

Transfer Secretaries
Hill Samuel Registrars Ltd
6 Greencoat Place
London SW1P 1PL

1 November 1988

OK BAZAARS (1929) LIMITED

(Incorporated in the Republic of South Africa)
Declaration of Dividend

NOTICE IS HEREBY GIVEN that interim dividend number 114 at the rate of 29 cents per share in respect of the financial year which commenced on 1 April 1988 has this day been declared payable on 30 December 1988 the currency in the Republic of South Africa, to all holders of Ordinary Shares registered in the books of the Company at the close of business on 11 November 1988. Non-resident shareholders' tax of 15% will be deducted where applicable.

The Registers of Members will be closed in Johannesburg and London from 12 to 19 November 1988, both days inclusive, for the purpose of the above dividend.

Copies of the Report and Accounts will be despatched to shareholders and will be available at the office of the London Transfer Secretaries:- 6 Greencoat Place, London SW1P 1PL.

BY ORDER OF THE BOARD
P E KRITZINGER
Secretary

Registered Office
OK Buildings
80 Eloff Street
Johannesburg 2001
1 November 1988

Transfer Secretaries
Hill Samuel Registrars Ltd
6 Greencoat Place
LONDON SW1P 1PL

ART GALLERIES

VAFARELY EXHIBITION At the Hungarian Embassy, commercial section, (46 Eaton Place SW1) 8-11 November between 1pm-5pm. Orders for limited edition prints are accepted.

British Railways Board

Provision of a High Speed Channel Tunnel Rail Link
Invitation to pre-qualify

British Railways Board ("BRB") are giving consideration to the definition, construction and financing of a high speed rail link from the Channel Tunnel to London, with connections to the BRB rail network. This project will, inter alia, involve the construction of a new line between Folkestone and London and of new terminal capacity in London, at an estimated cost of between £725 million and £1,200 million.

BRB are also giving consideration to the way in which the private sector may be involved in the proposed high speed rail link. One option for such involvement will be through the private sector taking responsibility for the construction, financing, and ownership of the new link, leaving ownership and operation of the trains with BRB. BRB will also consider alternative bases proposed by potential participants for their participation in the project, provided that they meet certain criteria set out in the pre-qualification invitation.

BRB intend to invite forthwith interested parties to submit applications to pre-qualify by 31st January, 1989.

Potential participants may obtain the pre-qualification invitation, which contains further details of the proposed project, by writing to:

Mr. Malcolm Markovitch,
Lazard Brothers & Co., Limited,
21 Moorfields,
London, EC2P 2HT.

7th November, 1988

COMPANY NOTICES

COMMUNAUTE URBAINE DE QUEBEC
CAN $ 32,000,000 12%%
1984-1991

Notice of early redemption

Notice is hereby given to the holders of the above mentioned Notes, that Communauté urbaine de Québec will proceed to the early redemption of the total of the outstanding Notes at 100% of their nominal amount on December 20, 1988.

Interest accruing on the outstanding Notes will cease as of that same date.

BANQUE INTERNATIONALE
A LUXEMBOURG
Société Anonyme
Fiscal Agent

Luxembourg, November 4, 1988

LIBRA BANK PLC
(Incorporated in England with limited liability)
US$100,000,000
Subordinated Floating Rate Notes due 1995

Notice is hereby given that the Interest Rate on the Notes for the period 7th November 1988 to 8th May, 1989 is 8⁵⁄₁₆% per annum. On 8th May, 1989 the Coupon Amount will be US$ 4,455.20 per US$ 100,000.00 Note

Banque Paribas, London Branch
Agent Bank

RENTALS

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9 Luxury apartments ideally situated for company purchases 7 of which are 2 beds 1 one bed with balcony One studio. All with 99 year leases £110,000 - £250,000 Subject to contract.

Ashley-Sheppard
01 494 0389

REPUBLIC OF THE GAMBIA
URBAN WATER SUPPLY OF GREATER BANJUL

The Gambia Utilities Corporation invites firms of civil engineering contractors and suppliers of uPVC pipes and water storage tanks to prequalify for the above project in West Africa. Tenders will be invited during early 1989.

There will be 11 separate contracts which include 9 boreholes and access roads; 18kms of uPVC raw water mains; a 250 l/s treatment works with R.C. tanks, aerators, pumps, offices and workshops; 40 kms of uPVC transmission mains. 9 elevated storage tanks of 500-1500m³ capacity; 135kms uPVC pipes and fittings to distribution systems; 30kms overhead HV electricity supply etc.

The works were designed by the Consulting Engineers, Lewin, Fryer and Partners and construction is to be co-financed by the International Development Association, African Development Bank, European Investment Bank, and the Republic of Austria. Interested firms need to comply with any special prequalification requirements of the funding agencies and evaluation will generally be in accordance with World Bank guidelines.

Prequalification documents, which will cost £30 may be obtained from:
LEWIN, FRYER AND PARTNERS, GROVE HOUSE, 100 HIGH STREET, HAMPTON, MIDDLESEX, TW12 2ST, UK Tel: 01-783 1055 Tlx: 934061
Completed prequalification documents should be returned no later than 16th January 1989.

CONSTRUCTION CONTRACTS

Wimpey gains £33m contract for Coventry shopping centre

The Midlands region of WIMPEY CONSTRUCTION UK has been awarded a £33m contract by Burton Property Trust, the development arm of the Burton Group, for the 73,000 sq metre West Orchards retail development in Coventry.

Located at the rear of the Hotel Leofric, Broadgate, on a service yard and car parking area, the shopping centre will be built around a central glazed atrium, rising 30 metres through all six floors, with entrances from Upper Precinct, Smithfield Way and Ironmonger Row.

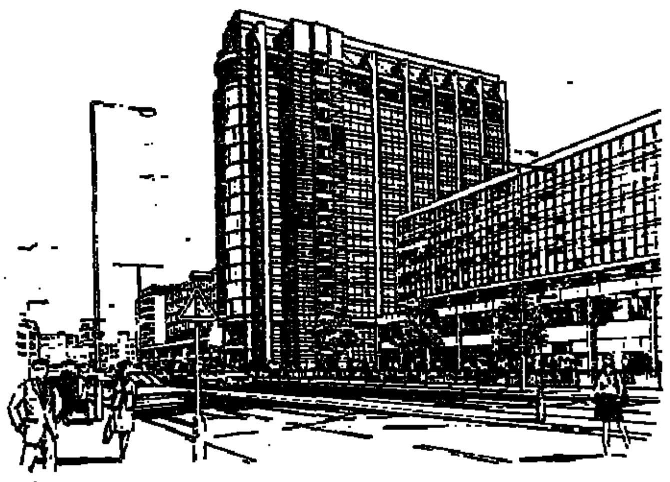
The basement (approximately five metres deep) will house vehicle servicing facilities, mechanical and electrical plant, and stockrooms. Additional mechanical plant will be installed on the roof. Trading levels and associated walkways will be located on the ground, first and second floors, while the three floors above will be given over to 530 car parking spaces, with vehicular access via a spiral ramp.

Debenham's four-level department store and malls lead to 32 individual shops and three kiosks on two floors. The second floor contains the centre's management suite, Debenhams, and a food court with eight kiosks and seating for 350 people.

The centre will be joined to the shopping precinct by a two-storey link which straddles a ground level service yard. As part of the development, a glazed canopy is to be constructed over Smithford Way.

All the shops and the department store will be completed to shell only while the mall, atrium, car park, food court and offices will be fitted out.

The development will be constructed with a watertight diaphragm wall enclosing the basement, while the superstructure incorporates a waffle floor construction and ribbed slab. All external finishes will include ceramic tiling at ground level, metal cladding panels to the remainder, with metal louvres to the car park. Due to be completed in February 1991, the contract also comprises extensive mechanical and electrical services.



MOWLEM MANAGEMENT is to undertake phase one of the redevelopment of Euston Centre, Euston Road, London. Refurbishment is valued at £23m. This includes replacement of the top two floors with an executive floor and two plant floors, increasing the height to 18-storeys. Letting space will be 112,000 sq.ft. Work entails stripping the building to the concrete frame, including removal of all services, floor screeds, toilets and lifts. To overcome problems associated with accommodating ductwork, the building will be extended by two metres. New riser ducts will be on the outside of the building. Features of the scheme will be a 10-metre high entrance hall, with marble finishes, and two lifts which will scale the east elevation within a glass screen. Completion is scheduled for December next year.

Scunthorpe hospital extension

JOHN LAING CONSTRUCTION'S Yorkshire region has been awarded three contracts worth over £13m by the Yorkshire Regional and Leeds Eastern Health Authorities. Work has started on a ward block for Scunthorpe General Hospital, Church Lane, Scunthorpe. The £10m contract, a joint venture with CWS Engineering, includes erecting a four-storey reinforced concrete framed, brick clad building. Work will also involve some alterations to existing buildings.

At Dewsbury in West Yorkshire Laing is shortly to begin work on a £3.2m contract for the Regional Health Authority at Staincliffe General Hospital. This will involve building a single-storey psychiatric unit which will house 56 acute psychiatric beds plus 46 beds for the elderly mentally ill and an outpatient department.

Leeds Eastern Health Authority has also assigned the company to carry out alterations to the City's St James's University Hospital.

North of England roadworks

ALFRED McALPINE CONSTRUCTION has won two contracts totalling £6.7m for new roads in the north of England. Work for Humberside County Council involves the construction of an 8km single carriageway to form the A15 Brigg and Redbourne by-pass near Scunthorpe.

The £5.5m by-pass, which will run along the line of Ermine Street, a Roman road, will include two bridges. The first is a three-span, reinforced concrete bridge with piled foundations, which will cross the Gainsborough to Grimsby railway line. The second bridge will carry Messingham Lane over the A15. The south end of the new road will connect to the existing A15 which runs to Lincoln, and the north end will connect to junction four of the M180. This combination will provide the by-pass for Hibaldstow, Redburne and Brigg.

The second contract is for the construction of phase II of Burnley inner relief road, for Lancashire County Council, valued at £1.2m. The dual carriageway will be 500 metres in length with a 5.5 metre central reserve. The road, which will connect Cone Road and Active Way, will include two junctions, a roundabout and two retaining walls, together with improvements , and links to existing roads.

Car parking at Dallas Courts

CHARTER BUILDERS INC of Dallas, the US subsidiary of Mowlem International, has won a US $8.75m (£5.1m) contract from the State of Texas for substantial parking facilities at Dallas County Criminal Courts.

The work will comprise the construction of two precast concrete frame garages, one of seven and the other of five storeys which together will provide parking for an additional 2,215 cars at the new County Justice Centre. The two buildings will be supported on 170 piles bored to a depth of 130 ft and will be connected by an overhead walkway spanning a busy road. Work has started for completion in April.

Dealing and office facilities in the City

TROLLOPE & COLLS CITY, a Trafalgar House company, has been awarded a variety of contracts in London valued at about £8m.

One order involves fitting out high-technology dealing and office facilities for the Bankers Trust Company, at the Broadgate development phase V, London EC2.

Trollope & Colls has begun work on the eight-storey building located in Appold Street, EC2. In the basement Trollope is installing additional plant to support the comprehensive mechanical and electrical service systems throughout the building. The ground floor, first, second, fourth and fifth floors will be predominantly office accommodation with sophisticated communications, and computer facilities. The second floor will also incorporate the main computer room and the fully equipped dealing facilities will be housed on the third floor.

In the centre of London, Trollope & Colls City has secured two contracts for internal decorations and external repairs in St James's Square, SW1, working for John D. Wood.

Trollope has begun preliminary work in connection with the refurbishment of York Court, Allsop Place, NW1, for Madame Tussauds. At Carlton House Terrace, in London, Trollope is undertaking internal refurbishment work.

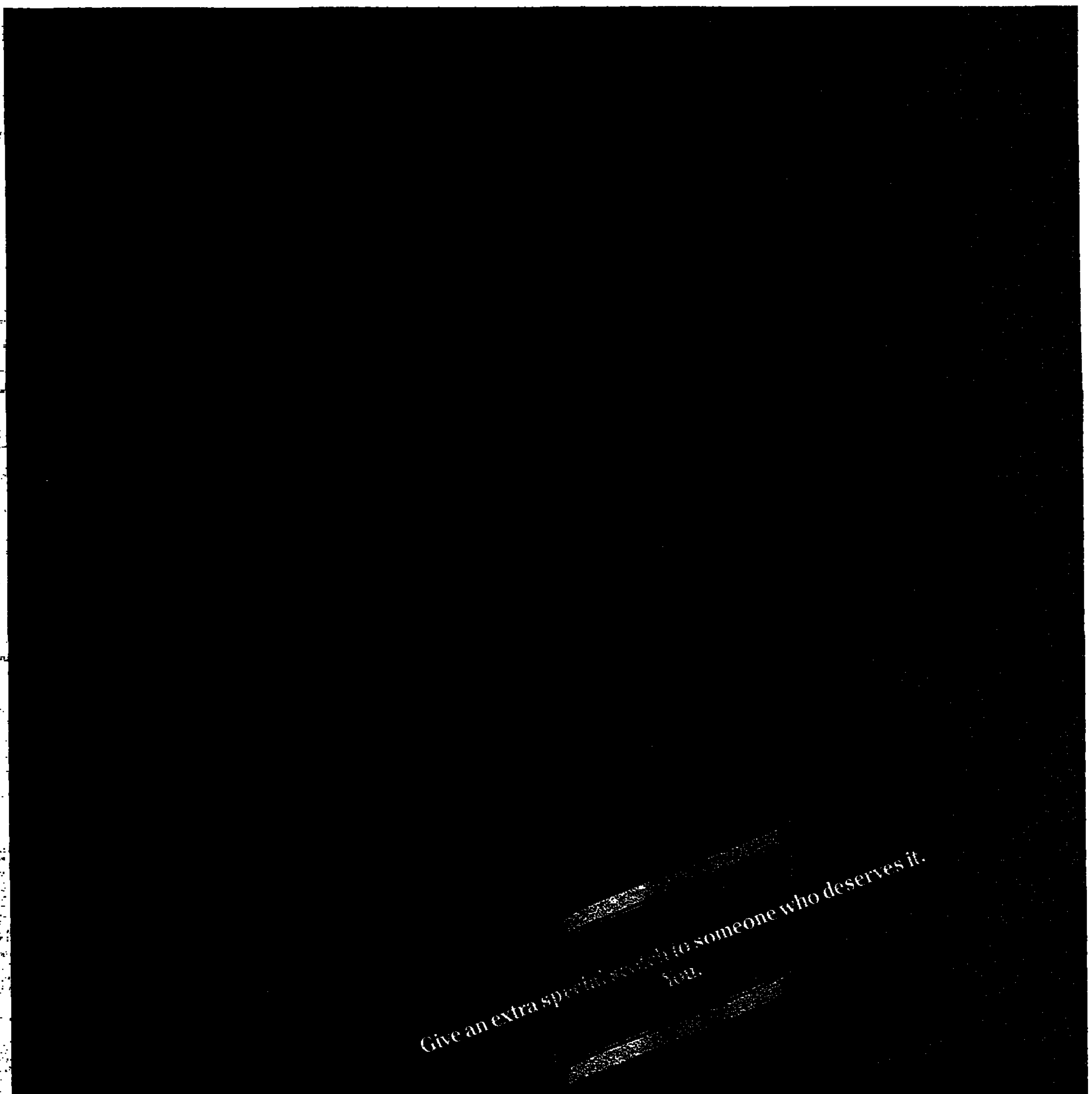
Refurbishing barracks in Humberside

NORWEST HOLST CONSTRUCTION has won almost £7m in contracts for upgrading and refurbishment. The largest is at Rapier Barracks in Humberside, which is to be extended and updated in a £2.8m contract awarded by the Property Services Agency.

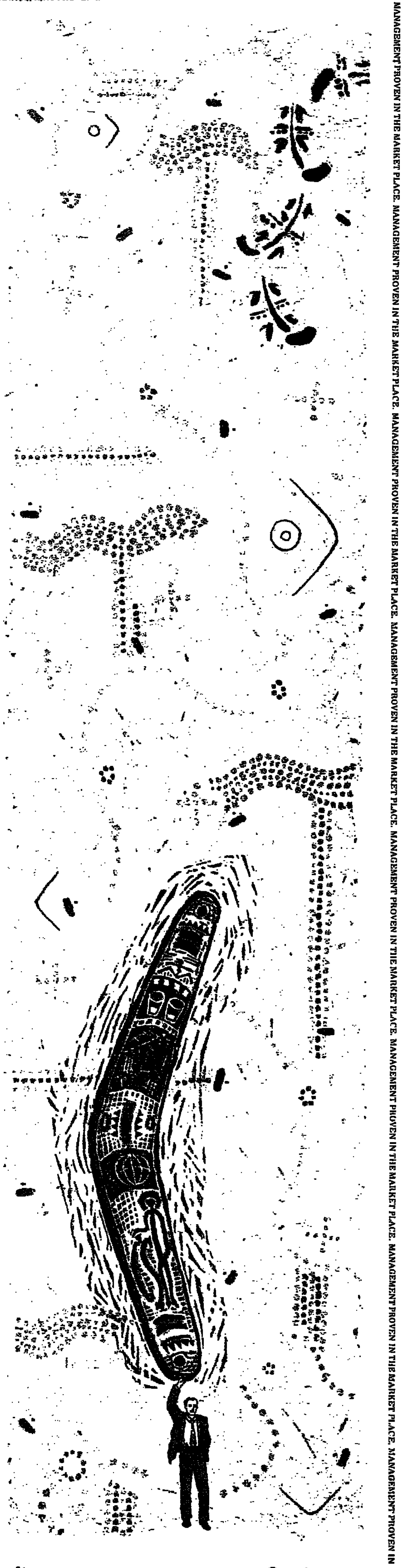
The 91-week project involves the refurbishment of a living accommodation block, the demolition and rebuilding of a second accommodation and the construction of a major store/workshop. Work will be phased such that demolition of the second building will not be started until one month after the refurbishment of the first block is completed.

In Nottinghamshire, two power station cooling towers are being strengthened in a £2.3m contract awarded by the Central Electricity Generating Board. The towers, numbers 1A and 2A at the Ratcliffe-on-Soar power station, are around 20 years old and require upgrading to comply with modern CEGB design specifications. They will therefore be given an additional 175mm thick outer shell of pfa concrete covering two layers of reinforcement. Each tower is 114 metres high and 92 metres in diameter and throughout the works Norwest Holst will be using its patented climbing fork system. Work at Ratcliffe is scheduled to last for 69 weeks.

Finally, Norwest Holst has started a £1.85m extension and remodelling contract at the new South Glamorgan Tertiary College, Cardiff. The 39 week contract comprises the construction of a two-storey teaching block linked to the main building (formerly the Rumney College of Technology) and an extension to the kitchen/refectory block. An existing hall will be converted into a library and a new first floor added.



Year in, year out, Cadbury Schweppes' management gets bigger returns from Down Under.



Over the last few years Cadbury Schweppes' business has been booming in Australia and New Zealand.

Pre-tax profits have risen at a compound annual rate of around 20%. And as if that weren't enough, return on average assets employed has consistently improved to nearly 34% in 1987.

So just how has this excellent growth record been achieved?

In a word, consistency.

Cadbury Schweppes simply applied exactly the same principles Down Under that the Group's management operates over the rest of the world.

A Capital Idea.

One of the first steps was investment. Capital expenditure over the last five years has totalled a cool A$155 million. As a result of this policy significant improvements in efficiency and productivity have been achieved.

This in turn helped to liberate funds for marketing investment with the objective of strengthening the existing brand portfolio and providing a firmer foundation for even more growth.

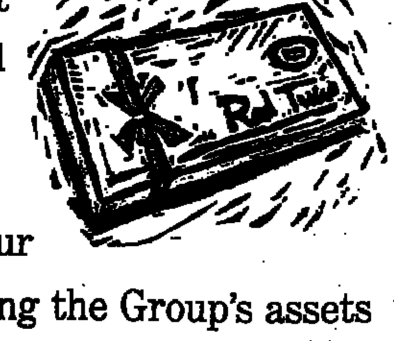
However, organic development is not the only way to grow.

Good Buys.

Cadbury Schweppes' management went shopping, and with some success.

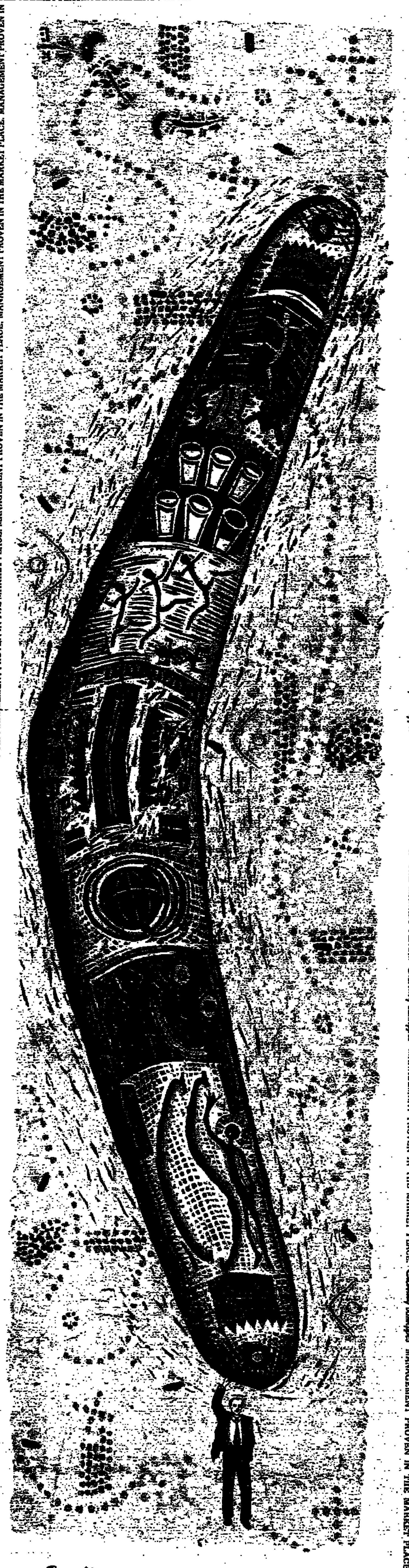
First, the Beatrice operation acquired last year, followed by the Woodroofe soft drinks business. Both acquisitions coming complete with the all important strong local brands.

As Cadbury Schweppes p.l.c. Chief Executive, Dominic Cadbury says, "Profit growth has continued in the first half of 1988 and Australia is just one example of how our management is making the Group's assets work harder for its shareholders".



Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE



APPOINTMENTS

Nationwide Anglia chief

■ At NATIONWIDE ANGLIA BUILDING SOCIETY **Mr Roy Duncombe**, the present deputy chairman, will succeed **Mr Leonard Williams** as chairman of the Society following Mr William's retirement from the board on December 31. **Mr Cyril English** will become deputy chairman. The board has appointed Mr Williams president of the Society from the date of his retirement.

■ ROYAL ORDNANCE has made the following main board appointments: **Mr Don Ethell** becomes managing director ammunition division, Chorley; and **Mr Chris West** is made marketing director based at head office in London. **Mr Phil Lee** has been appointed managing director control systems and fuzes division, Blackburn; **Mr Graham Spickernell** becomes managing director rocket motors division, Summerfield.

■ **Mr Earl Hartstonge** has been appointed chief manager (UK & Europe) of the BANK OF NEW ZEALAND, London. He was regional manager for Fiji and succeeds **Mr John Hiddlestone** who has been appointed chief manager, credit services, in the head office in Wellington.

■ Haley BDC, a division of BUSINESS DEVELOPMENT CONSULTANTS (INTERNATIONAL) has appointed **Mr Martin Lee-Warner** as head of the banking and financial services practice.

■ **Mr Roger Johnson**, director and general manager of J. Marr (Seafoods), Hull, has been appointed to the board of the group holding company ANDREW MARR INTERNATIONAL.

■ HADLEY CANNON INTERNATIONAL has promoted **Mr Andy R. Connelly** to managing director and **Mr Niall J. Byrne** to marketing director of its diplomats and schemes division. The marine division has appointed **Mr James D.R. Bowyer** as a director, and **Mr Daryl M. Mackay**, **Mr Peter Paetow** and **Mr Tony N. Herve** as assistant directors.

■ **Mr Georg Styr** has been appointed director of sales and marketing at CABERBOARD, Stirling. He joins from the Hornitex Group.

■ **Mr Richard Lowe**, sales manager, has been promoted to sales director of SUPER SKY, Aylesbury.

■ **Mr Simon Ellse** has been appointed to the board of PARK ADVERTISING as financial director. He was group accountant at Rothmans International.

■ BEAZER HOMES AND PROPERTY has appointed **Mr John Hodgetts** as managing director of Beazer London. He has been technical director of Beazer Homes Southern for the past three years. **Mr Eddie Firth**, previously both chairman and managing director, remains as chairman and is an executive director of Beazer Homes and Property with special responsibility for London and the South East.

MUNICIPAL MUTUAL INSURANCE has appointed Mr David Porter as executive manager. He joins from Security Pacific Hoare Govett where he was an executive director.

■ **Mr Stuart Michael** has been appointed sales director for UCL UNIVERSAL COMPUTERS, a subsidiary of the UCL Group, a supplier of PICK and UNIX based hardware and software solutions. He was City branch manager.

■ **Mr A.V. Douglas** has been appointed a non-executive director of TRANWOOD. He is managing director of the Analysis Corporation.

■ **Mr Lance Moir**, group treasurer at STOREHOUSE, has been appointed head of corporate finance and planning. He will take responsibility for group strategic planning and corporate finance as well as treasury.

■ RAILFREIGHT DISTRIBUTION, the new group which brings together parts of Freightliner, Speedlink Distribution and Railfreight International, has appointed **Mr Ian Brown** its managing director. Mr Brown led the team which studied the prospects for BR's non-bulk freight activities.

■ **Mr Briam Sumner**, the former managing director of UDT Commercial Finance (a member of the TSB Group), has been named managing director of CAUSEWAY INVOICE DISCOUNTING CO. **Mr Mark Connelly** has become operations director.

■ LONDON & METROPOLITAN ESTATES, a subsidiary of London & Metropolitan, has elected **Mr Roderick V. Gibbs** and **Mr John Warman** to the board.

■ **Mr Steven Small**, a chartered accountant, is to join the board of WINDSOR as a non-executive director.

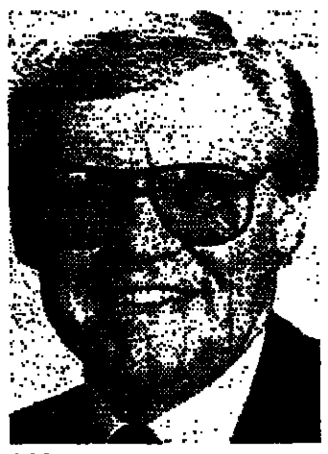
■ **Mr Norman Bennett** has been made sales and marketing director on the main board of GRIPPERODS INTERNATIONAL, the trade flooring accessories supplier and specialist producer of DIY goods. He was chairman of the company's divisional board.

■ Three senior managers at MARPLES DEVELOPMENTS, the Bath-based property development company, have been made directors. They are: **Mr Tony Campbell**, project diector, **Mr Peter Davey**, commercial director, and **Mr Malcolm Newstead**, development director.

■ PARC SECURITIES has appointed **Mr Richard Cusac**, an investment banker, and **Mr Michael Sears**, a property and planning lawyer, as directors.

■ **Mr Vick Murray** has been appointed deputy managing director of ASSOCIATED HEAT SERVICES. He was formerly technical director.

■ M.L. HOLDINGS has made the following appointments: **Mr Ian Hackett**, formerly the group financial controller, has been promoted to corporate finance controller with responsibility for treasury and cquisitions. **Mr Ian Pickering** has been appointed group financial controller. He was manager of accounts and financial analysis of Rockwell Graphic Systems. **Mr Chris Fox** has become group chief financial accountant.



ALEXANDER STENHOUSE UK has appointed Mr Ron Whittaker as local director of a new international department based in Manchester.

■ MINET INSURANCE BROKERS (UK) has appointed **Mr Robin Keeling** as executive director and **Ms Jenny Lane** as director of the newly-formed construction unit.

■ **Mr John W. Smith** has been made managing director of Derby-based WILO SALMSON, a supplier of pumps to the heating market. He is currently with Georg Fischer at Schaffhausen (Switzerland) and will take up his new appointment on January 3.

Mr Guy Macpherson has been appointed divisional managing director of the newly-formed UK subsidiary of BLANDY BROTHERS, the Madeira-based family group which owns the Reid's Hotel there. He was managing director of Kennedy-Brookes Hotels. Mr Douglas Barrington, formerly owner of the Lygon Arms, also joins the UK board as a non-executive director.

Training in West Germany

Guardians of a nation's skills infrastructure

David Goodhart reports on the role of chambers of commerce

West Germany has an enviable reputation for training. Its vocational approach, combining company-based flexibility with a solid structure of national standards, has attracted the admiration of the rest of the world.

Depressingly, though, for those countries which would like to borrow aspects of the German system, there are strict limits on its transferability. This is because of the peculiar importance of the chambers of commerce and crafts in the country's business life and thus in vocational training.

Unlike in Britain, membership of one of the 69 chambers of commerce (or 42 chambers of trade) is compulsory for all businesses, however large or small. The chambers are thus well financed and, generally, well supported by local industrialists. They are also bodies constituted under public law with legal rights and responsibilities, such as for training.

The chambers have had a long association with the organisation of training; before the various local regulations were brought together in the Vocational Training Act of 1969 the system was largely controlled by them.

So what exactly do the chambers do to ensure that the 650,000 young West Germans who last year began three year courses, combining in-company training with technical and general education elsewhere, get an adequate training?

Take a not-so-small town like Bonn. It is not just the capital of West Germany; it is also an industrial and commercial centre where 30,000 chamber of commerce enterprises will this year train about 8,000 young people (with 3,400 new starters).

In fact, those training places are provided by only 2,000 of the area's 30,000 companies; the provision of training places is entirely voluntary for companies and many are either too small to bother or prefer to poach.

The Bonn chamber of commerce has an annual revenue of DM 8.5m and a staff of 50, of whom about one-third are concerned with training. Their task is to connect, with the lightest possible touch, the training place provided by the local firm to the national system.

The chamber has to license the trainer and ensure the company has properly qualified training staff. It also has to check that the content of the training complies with the national syllabus covering one of the 400 national skill categories drawn up by the National Institute for Vocational Training in West Berlin. The chamber must then make some attempt to inspect the training company at least once a year to ensure standards are not slipping (see below).

The other major task is the supervision of the exam system and the provision of certificates to successfully qualified trainees. Control of the exam system is a mixture of central and local; a central office in Stuttgart composes written exams (both intermediate and final) and also marks some multiple choice questions.

The rest of the marking and all aspects of oral exams are dealt with at chamber level and the trade unions are currently pressing through the courts to transfer even more control of exams to the local level where they feel they have more clout.

In addition to the Bonn chamber's 16 full-time training staff, these tasks are overseen by an 18-strong committee consisting of six employer representatives, six union representatives and six vocational school teachers. That committee is itself supplemented by special committees in each of Bonn's skill areas which advise on training content and mark exams.

Bonn features about 120 of the potential 400 skills; the largest category of trainee is industrial clerk for which there are eight specialist committees. The two biggest trainers in the area are the Sparkasse (national savings bank) and Huels, a chemicals company, situated just outside the town, each with about 200 trainees.

But for smaller companies which cannot afford their own trainers and training equipment the chambers provide another important service in the form of training centres, especially for electrical and mechanical skills. There are two in Bonn which charge employers about DM 500m a month.

Judging by the one at Siegburg, where 60 young metalworkers can be observed studiously filing and welding surrounded by relatively new and sophisticated equipment, the employers are getting a reasonable deal.

In conjunction with the local employment department the chambers also provide some local labour market intelligence and when they face an excess demand for places, as has been the case in recent years with the baby-boomer bulge reaching training age, they do their best to cajole local companies into providing more places than they really need.

A training place is not granted as of right but the chambers are usually ready to provide emergency extra training places of their own in difficult years, with the financial assistance of the Laender (state) and Federal governments.

Such periods of excess demand are the only time that the system's built-in responsiveness to company skill requirements can get out of kilter. As Wolfgang Brunsweg, a Bonn chamber training official, admits: "When we had all these people in special training schools we were producing skills that were not needed."

He admits to another weakness too – that course content can become out of date. "In some skills we have programmes going back to 1937," he says.

A structured national system also fails to take account of different aptitudes; it does not take all trainees three years to learn the skills of a baker or shop assistant. What is of more consequence is a new metalworking syllabus which has recently been agreed between the various training interest groups after 15 years of negotiation. It is thus already out of date in some areas.

Klöckner-Moeller, the Bonn-based industrial electronics group, is a typical sophisticated medium-sized company which uses national, chamber-imposed, standards "only as a base," according to Alois Oberhofer, the technical manager. "As a producer of electronic control equipment many of our trainees are required to work with far more complex equipment than the national courses require," he adds.

The 80 apprentices at the Bonn factory work on brand new machine tools supervised by four training officers. Those in the main electronic skill group depart on six-week block release courses once a year while the four mechanical skill groups are away from the factory two days a week.

However, a surprisingly high 60 per cent of the trainees will not take up full-time jobs with the company after acquiring their certificates. Some will go into further education or into the army for military service; others will be rejected as surplus to company requirements.

A popular company like Klöckner-Moeller, offering highly desirable skills, can thus pick and choose twice over. Last year it had 1,000 applicants for the few dozen training places available; because it deliberately over-trains it can offer permanent jobs to the cream after three years of training.

As there are many companies which do not train at all this over-training is desirable for the system as a whole. An increasing number of even quite large companies is tending to lavish training resources on core skills and pick up people trained elsewhere, even in different skills, for the less-skilled jobs.

This is less of a burden on the companies that do train than it might seem. Although a company like Klöckner-Moeller says that each trainee will cost an average of DM 20,0000 a year, that does not take account of the value that the trainees add – at least in their second and third years – nor of the fact that training costs are tax deductible. Some companies are said to break even or even profit from taking on a large number of trainees.

But using training as a source of cheap labour (trainees are paid 20 to 40 per cent of average wages) will become more difficult as the number of trainees slumps. This year about 640,000 school-leavers will be on the market, down from the record 764,000 in 1984, while about 700,000 training places are on offer.

To the chambers a surplus of places is better than a shortage given the evident slack in the system. For many firms it could soon, however, become a headache and even in the short-term it means "that we can no longer be quite as fussy about who we take," according to Kari Messer, chief training officer at Klöckner-Moeller.

An inspector calls...

Dario Thomas is used to drinking more coffee than is good for him. As one of the Bonn Chamber of Commerce's four training inspectors he calls in at about 700 companies each year for coffee, biscuits and a chat.

Judging by the day I spent with him last month that chat is usually a short one; not surprising when he has to show his face at an average of five companies each working day.

The informality of his relationship with the companies under his supervision was also underlined by the fact that at the German Research Centre for Computer Science, just outside Bonn, the main training officer was away for the day despite being warned of Thomas's visit.

Does this mean, as some critics maintain, that the annual inspection to ensure companies are providing the appropriate training is a mere formality? In the case of the larger companies, where Thomas will often know the senior training officer from one of the Chamber's many training committees, the answer is probably yes. At two of the companies we visited last month we did not talk to a single trainee.

More prompting and scolding goes on in smaller companies where fewer staff and less money go into training. Indeed, Thomas says that his biggest problem in overseeing a company-based training system, which is supposed to provide a roughly equivalent training experience for all, is the growing divergence between the quality of training in different companies. "I have to keep pushing the slow coaches," he says.

Thomas, who is himself a former salesman and covers predominantly clerical and service companies, sees his role in the training system as part-spy, part-consultant. It is not often that he has to threaten a company with withdrawal of its licence to train "but it can happen where a company is clearly not complying with national standards," he says. He is usually alerted to serious problems by the parents of disgruntled trainees.

But his more important role is acting as both an adviser on best practice and clearing house for ideas and information about the content of training courses, exams, block release courses and so on. "I am often asked what the other companies are doing," he says.

His worries for the future mainly concern the sharp reduction in the number of available trainees. Already, he says, training places for the more onerous manual jobs and for jobs with anti-social hours – like chefs – are getting hard to fill.

Business courses

Innovative marketing and cost-saving sales strategies, London. December 15-16. Fee: non-members BFr 94,000; members (AMA/I) BFr 84,600. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels, Belgium. Tel: 32/2/516.19.11. Telex 21.917, 61.748.

Developing your next generation of senior managers, Middlesex. December 2. Fee: £225. Details from Programme Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 ext 215.

Evaluating and implementing PC networks, Bracknell. December 8-9. Fee: £495 + VAT. Details from the Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Telex: 299180 MONINT G.

Personal coaching in interviewing skills, London. December 5-6. Details from Course Organiser, Management Development Centre, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 01-920 0111 ext 2278. Fax: 01-588 2756.

Making successful acquisitions, Berkhamsted. December 7. Fee: £224.25. Details from Mrs Joy Square, Registrar, Ashridge Management College, Berkhamsted, Hertfordshire, HP4 1NS. Tel:044284 3491 or 2311. Telex: 826434 ASHCOL G. Fax: 0442384 2382.

Negotiating with the Japanese, London. December 6-8. Fee: £644 (before November 22); £690 (after November 22). Details from Miss Cordelia Currier, Lion International, Moreland House, 80 Goswell Road, London EC1V 7DB. Tel:01-490 1713. Telex: 24667 (IMPEMP G). Attnn: Lion International.

Competitive marketing strategies, London. December 1-2. Fee: £795 + VAT. Details from SAL CMS Seminar, Victoria House, Suite M9, Southampton Row, London WC1B 4EF. Tel: 01- 242 4045. Telex: 8953745.

Automating the home 88, London. December 7-8. Fee: £375 per delegate for 2 days. Details from RMDP, 61-63 Ship Street, Brighton, Sussex BN1 1AE. Tel: 0273 722687. Telex: 87323 FSI G RETAIL.

CONTRACTS & TENDERS

FIDELITY GLOBAL INDUSTRIES FUND
Societe d'Investissement a Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 24816

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY GLOBAL INDUSTRIES FUND, a societe d'investissement a capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13 Boulevard de la Foire, Luxembourg, at 11:00 a.m. on November 24, 1988, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Auditor;
3. Approval of the balance sheet and income statement for the fiscal year ended July 31, 1988;
4. Discharge of the Board of Directors and the Statutory Auditor.
5. Election of seven (7) Directors, specifically the re-election of the following six (6) present Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton and H. F. van den Hoven and the election of Jean Hamilius, the partner of Compagnie Fiduciaire responsible for Fund matters, as a new Director replacing Compagnie Fiduciaire;
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg;
7. Proposal, recommended by the Board, to amend the provisions of Articles 7 and 8 of the Fund's Articles of Incorporation which presently provide that any owner of shares which constitute, in the aggregate, more than 3% of the number of shares the Fund is authorized to issue, may be required by the Fund to redeem that excess amount. The Board recommends that the provisions be amended to permit the Fund to require any beneficial owner of shares which constitute more than 3% of the outstanding shares of the Fund to redeem the excess.
8. Proposal, recommended by the Board, to amend the provisions of Article 22 of the Fund's Articles of Incorporation which presently provide that the Fund may suspend Net Asset Value determinations and repurchases in emergencies if disposition of Fund investments which constitute a substantial part of its assets is not "practically feasible" or if determination of the Fund's Net Asset Value is not "practically feasible". The Board recommends that the provisions be amended to substitute the word "possible" for "practically feasible", in order to establish a more objective standard as requested by certain regulatory authorities.
9. Consideration of such other business as may properly come before the meeting.

With the exception of items 7 and 8, approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Approval of items 7 and 8 will require a quorum of at least a majority of the shares outstanding on the Meeting date and the affirmative vote of two-thirds of the shares present or represented at the Meeting. If a quorum is not present, items 7 and 8 may be voted on at an adjourned session of the Meeting, at which no minimum number of shares will be required to be present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the shares authorized for issuance, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: October 20, 1988

BY ORDER OF THE BOARD OF DIRECTORS

TURKISH AIRLINES INC

announces that jet fuel A-1 is required for the period of January 1st 1989 (inclusive) December 31st 1989 (inclusive) at European, Middle East and Far East and USA airports will be purchased under sealed tender by adjudication. Bidder must deliver their proposal on or before 18 November 1988 to the Turkey address below.

Bidders wishing full information on bidding and list of technical and administrative conditions should contact:
Turkish Airlines Inc
11/12 Hanover Str
London W1R 9HF
or
Turkish Airlines Inc
Directory of Sales and Purchase Department
Ataturk Airport Turkish Airlines Inc
General Management Building B/Block
Floor/A (Asma Kat) Istanbul, Turkey
Tlx: 28871
Phones 5747405-5747300-1006-1008
Fax: 574 74 44

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN SHARP CORPORATION

EDR holders are informed that Sharp Corporation has paid a dividend to holders of record March 31, 1988. The cash dividend payable is Yen 5.5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No.15 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable.

Amounts payable in respect of current dividends.

Coupon No.15 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$45.30	$36.81	$34.64

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

November 7th, 1988

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN KOMATSU LTD

EDR holders are informed that Komatsu Ltd has paid a dividend to holders of record June 30, 1988. The cash dividend payable is Yen 2 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No.38 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after January 30, 1989.

Amounts payable in respect of current dividends.

Coupon No.38 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1 share	$0.015748	$0.013385	$0.012598

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

November 7th, 1988

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN NIPPON SHINPAN

EDR holders are informed that Nippon Shinpan has paid a dividend to holders of record September 27 1988. The cash dividend payable is Yen 5.25 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No. 23 for payment to the undermentioned agents.
Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1989.
Amounts payable in respect of current dividends.

Coupon No. 23 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$41.33	$35.13	$33.07

Depositary
Citibank, N.A.
336 Strand, London, WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg S.A.
16 Avenue Marie Therese

November 7th, 1988

A Walk In The Woods

COMEDY THEATRE

Lee Blessing's new play, seen on Broadway earlier this year, is a neatly contrived and rather dull conversation piece for a Soviet diplomat and an American negotiator at the Geneva peace talks that started in the late summer of 1983, just before President Reagan's re-election.

Botvinnik comes from Leningrad and has seen off at least two predecessors of John Honeyman from Wisconsin. He foxily draws the new man to his accustomed lair in the woods outside Geneva, stonewalling his enthusiasm for reaching a treaty with demands for frivolous conversation. Does his American counterpart like Country and Western music, has he slept with a black woman?

The best the earnest Honeyman can come up with is a sudden tirade against brown suits, a clue to the curious temperamental instability he displays later on. The official talks are all about making nothing happen smoothly. Botvinnik wants real understanding to develop off-duty unhampered by protocol. Honeyman wants to deliver an initiative that will smooth Reagan's return to the White House. This is a post-glasnost reading of pre-glasnost events; the play is more sympathetic to the Soviet than to the American.

Specialist jargon and statistics are only mentioned in a jumbled way. The play is uninformative on the texture of the issues and devoid of any sense of political reality. This is not necessarily a criticism, but does expose as tenuous what remains of an unlikely friendship forged in unusual circumstances.

You get the impression Lee Blessing read the same playwriting manual as did the authors of *Driving Miss Daisy*, where a white Southern matriarch came to love and depend on her black chauffeur, and of *I'm Not Rappaport*, in which much more boisterous writing enlivened another under-the-fence male pow-wow. Stir briskly for a mixed Blessing.

Alec Guinness, now 74, and absent from the London stage for ten years, is effortlessly in control, turning early conversational gambits from Honeyman inside out and embroidering his perfectly timed ripostes with a tinge of a Russian accent.

You never quite see how Guinness does it. His left shoulder twitches slightly, the eyelids droop and rest for ten seconds of silent disapproval, he leans with sudden nonchalance, *facing upstage*, against a tree. It is, save for a few first night bumps, a seamless and masterly performance by a virtuoso of the tiniest physical and vocal inflection. The fine American actor Edward Herrmann, tall but not gangling, is a sympathetic foil who thinks he has come up with an acceptable proposal.

When Botvinnik returns in the last scene having presented it to his masters with a few agreed alterations, he is heading for a change of scene. Although the close is wistfully predictable, it is beautifully executed. The Guinness gaze has taken on a dislocated flicker, while Hermann has revealed himself in the alarming colours of a dangerous patriot, fired up by visions of missiles piled high in Dakota while pushing around a Swiss cop who has ordered him to pick up a gum-wrapper. You can't save the world *and* keep it tidy, he protests.

Guinness is good for the play but flatters it with his artistry to which Ronald Eyre's direction plays a ploddingly obedient second fiddle. The changing seasons in this over-schematic, very short evening, are cleverly painted on Robin Don's design of chicken wire tree trunks and steel foliage.

Michael Coveney

The Magic Flute

STANTONBURY THEATRE, MILTON KEYNES

Last season the City of Birmingham Touring Opera made its first appearance with a cheering and skilful *Falstaff* directed by Graham Vick. Its productions are designed to boldly go where no professional opera company usually dares, so that musically and dramatically they must fit into the most heterogeneous performing spaces. *The Magic Flute* again staged by Vick with designs by Chris Dyer, goes on the road in a new performing version commissioned by CBTO – John Wells has supplied a lucid English translation and Jonathan Dove has reorchestrated the score for the company's 18-strong band.

The opera is given complete – even conventional shortcuts in the dialogue are resisted. It is to the credit of Vick and his singers that there are very few longueurs in the evening, but it is all the same a curious paradox that such textual purity should be married to a musical arrangement which treats the original textures so freely. Dove's version of *Falstaff* was a brilliant distillation of the sound and density of Verdi's score, but his *Flute* seems to have different aims. With single strings and wind he makes no attempt to recreate the feel of the original; much string figuration is transferred to the piano, and an accordion is insinuated into Papageno's arias. Conducted alertly by Paul Herbert it all works well, once the initial culture shock has worn off.

The cast has only 13 singers, but with many artful doublings the lack of numbers never intrudes. Vick has avoided any complex interpretations in his scheme; the Masonic elements are minimised, and the action takes place on and around a simple skeletal pyramid. Papageno is traditionally conceived, the Queen of the Night and her retinue sport fetching bare-midriffed outfits, the rest wear timeless flowing white.

Paul Nilon's beautifully poised Tamino is the pick of the singers; Eileen Hulse gives an appealing and uncomplicated Pamina. Patrick Wheatley's Papageno does not overstretch himself for laughs and is consequently the more touching, while Kate Flowers is a sparky Papagena. There is a slightly overbearing Sarastro from Mark Beesley and an interesting Monostatos from Donald Stephenson, given extra edge by his doubling as second Priest. Alison Truefitt is an able, unforbidding Queen of the Night, who is cosily reconciled with Sarastro for the final chorus – needs must with such a small cast.

The company takes its lively show on to Barnsley, Taunton, Bridgnorth and Cumbria in the next two weeks, before arriving in London for performances at the Elizabeth Hall.

Andrew Clements

Johnson and Burgee's controversial scheme for the second phase of London Bridge City

A quango with no teeth

Colin Amery reports on the Royal Fine Art Commission

What is the point of the Royal Fine Art Commission? In the front of the Twenty Fifth Report that it has just published, its terms of reference are clearly stated.

It was first formulated in 1924 and extended in 1933 "to call the attention of any of our Departments of State, or of the appropriate public or quasi-public bodies, to any project or development which in the opinion of the said Commission may appear to affect amenities of a national or public character."

Although clearly expressed, these terms of reference are both wide and narrow enough to allow the Commission to do as much or as little work as it wants. A great deal depends upon the "opinion" of the Commission.

The Chairman of this body is Lord St John of Fawsley, who writes in this report that when he was appointed in 1985 he was asked to extend the range and influence of the Commission and give it "a higher profile." Two years is not a long time but it is worth examining the Commission's achievements.

The raising of the profile of this backroom body has been achieved principally through the ebullient personality of the chairman and his enthusiasm for publicity. The Commission's move to occupy the major part of Sir Edwin Lutyens's fine town house at 7, St. James's Square has also helped, in a different way. The chairman and his secretary now occupy some of the most lavish offices in the capital.

The atmosphere of that remarkable Edwardian mansion still suggests that the newspapers are being ironed in the basement – perhaps they are. In his scarlet and turquoise office Lord St John reviews papers delivered in red leather boxes newly impressed in gold letters "Chairman, Royal Fine Art Commission."

Lutyens's house comes into its own for parties and receptions and there is scarcely a member of the royal family who has not been to one of Lord St. John's lively luncheons or soirées. But what, any taxpayer may ask, does all this achieve?

Like so many similar bodies in England the reality behind the "profile" is a dreary round of long committee meetings – attended by 17 or 18 commissioners – who, with their chairman, are all unpaid. In the year under review this august group considered 300 building schemes. Many of these represented the largest developments that the Commission had ever reviewed.

There was the enormous range of schemes associated with the Channel Tunnel, including eight road and rail bridges, routes to and from the terminal and the design of the terminal at Cheriton, near Folkestone. It can be no surprise that the Commission felt that the impact of the terminal and the associated roads would be "overwhelming." But what can the RFAC do? Little more, it seems, than state the obvious.

Paddington Basin in London, a huge light industrial, offices and residential scheme, did not meet the Commission's favour. But it goes ahead practically unaltered, despite the fact that the RFAC felt it was "overbearing," "excessively inward looking," and the layout of the housing "did as little for the canal on one side as for the road on the other."

Canary Wharf in London's Docklands did not please the RFAC either. "It remained deeply disappointed by the scheme as a whole." In fact the criticism was very strong. "The Commission was particularly dismayed by the quality of the architecture depicted on the drawings." Canary Wharf is being built at this moment, completely unaffected by the RFAC's views.

London Bridge City Phase II excited the RFAC quite considerably. This scheme, almost opposite the Tower of London on the south bank of the Thames, is a development by the St. Martin's Property Company and has at this moment been called in for consideration by the Department of the Environment. The scheme has been designed by the New York architects Philip Johnson and John Burgee, who saw this large commercial development as an opportunity to build a kind merchants' palace in a style strongly influenced by Sir Charles Barry's Houses of Parliament and his great house at Highclere.

A great majority of the architects on the RFAC, traditionally trained as modernists, did not know how to react to this design. The Chairman of the Commission had to sign some very carefully worded letters of objection sent to the architects' New York office. It must have been particularly delicate as the Chairman had proposed a toast to Mr Philip Johnson when entertaining him to lunch at the Commission, drinking to him as "the greatest architect in the world."

I particularly enjoyed reading the letters between the RFAC and the architects of London Bridge City that are attached to this Report. Here is a gem . . . "Finally the Commission believes that the project lacks authenticity and genuine style. It acknowledges the architects' interesting attempt at symbolising the power and glory of commerce by adopting the style of the great houses built for Elizabethan and Jacobean merchants (or the revival of this style on an even larger scale in the 19th-century) but finds the effect cosmetic, where it ought to be intrinsic, and an imitation of the past where it ought to be a reinterpretation and a transformation which expresses our time." The New York architects replied politely and at some length – clearly amazed that the warm feeling of the lunch party had so quickly been replaced by the dogma of the Zeitgeist.

The subjective nature of the RFAC's views ensures that it is not taken any more seriously than anyone else's. For example, the RFAC did not much like the popular Venturi design for the National Gallery extension, feeling that "as an intellectual concept it had not been fully worked out." On the other hand, it gave an enthusiastic welcome to plans for the Tate because they "embodied the amorphous quality of a single large museum." I wonder what that means?

Perhaps the most useful thing this strange quango is doing is the establishment of a private Art and Architecture Education Trust which has been generously endowed with donations from major companies and property developers. No one can quarrel with any attempt to improve standards of visual literacy in the nation. At this moment a series of lectures is being held at the RFAC for developers to learn some architectural history.

One very new feature of the RFAC's work is its attempt to become much more friendly with developers. One major developer now sits on the Commission itself. While it is important to establish good relations, there must frequently be occasions when declarations of interest by both architects and developers make any objective discussion more difficult. The handsome support of the independent Education Trust by many of the concerns who bring their building schemes to the Commission for its blessing raises important questions about independence of judgement.

The Royal Fine Art Commission has to be both independent, and get results. Looking around, I am forced to wonder whether we would be any worse off without it.

The Sleeping Beauty

COVENT GARDEN

On Friday night, *The Sleeping Beauty* returned to the repertory in a performance suggesting that the Royal Ballet is taking the work's title too literally. With dancing neat, ineffably nice and well-mannered, a supreme theatrical creation slept. Did it move uneasily in its slumbers, troubled by dreams of greatness? No matter: the soporific smoothness of the presentation could allay any visions of splendour.

The Aurora was Fiona Chadwick, the Royal Ballet's leading interpreter of the role. Her dancing was of rare technical ease, every step secure, and more than secure – she can afford to face the greatest challenges with entire amplomb. Was it because there was not the remotest possibility that anything could go wrong that this Aurora seemed so bland? What we saw was what Miss Chadwick showed us: there were no hints in her playing, or that of the other members of the cast, of a "beyond" of nobler aspirations, spiritual effects. Never did I sense grandeur, or those wonders of physical aristocracy that lay imprisoned within a work that is replete with majesty.

There are only a handful of ballerinas in the world worthy to dance Aurora, and even fewer ensembles fit to perform *Beauty*. Once the Royal Ballet was its custodian; the past decade has made me feel that this is no longer so, and – *miserere nobis* – there is no other production in the West better to look at. The Royal view is decent, but unexpansive, characterised by the generally claustrophobic style of design and interpretation. The women mostly wear lack-lustre shoes, their feet looking marshmallow-soft, their dancing demure. The men have a condescending air as cavaliers and Stephen Jefferies, Friday night's Prince, was alone in seeming to be involved in a drama rather than a déjà-vu phenomenon. Musically the staging perpetuates some insensitive cuts, and I deplore the peals of recorded thunder that accompany Carabosse's appearance: Chaikovsky needs no such vulgarities to bolster orchestral colour. On Friday John Barker led a brisk, unconvincing account of the score: in harmony, it must be said, with the company's narrow view of this masterpiece. The Royal Ballet needs to recall that *Beauty* is truth for classical dancers.

Clement Crisp

ARTS GUIDE

November 4-10

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).

London Symphony Orchestra, conducted by Sir Colin Davis with the London Symphony Chorus. Soloists Edith Wiens, Anne Masson, Alejandro Ramirez. Mendelssohn Italian Symphony with Schubert Mass in E flat. Barbican (638 4141).

Armistice Festival, a programme of songs, poems, and letters under the title of Cradle to Trench. Royal Festival Hall (Sun) (928 8800).

London Philharmonic Orchestra conducted by Georg Solti, with Andras Schiff (piano), Graham Clark (tenor) and Neil Howlett (baritone). Bartok: Dance Suite, Piano Concerto No 3, Divertimento for Strings and Cantata Profana. Royal Festival Hall (Sun) (928 8800).

London Philharmonic Orchestra conducted by Serge Baudo, with the Pro Musica Chorus of London, and Jane Eaglen (soprano). Mozart and Rossini (Mon) (928 8800).

Takacs Quartet with György Pauk (violin), Jeno Jando (piano). Bartok. Queen Elizabeth Hall (Tue) (928 8800).

Armistice Festival, two masterpieces from Granados and Marnard, composers who lost their lives in the First World War. Royal Festival Hall (Wed) (928 8800).

National Symphony Orchestra. Tchaikovsky Concert conducted by David Coleman with Maureen Smith (violin). Barbican Hall (Wed) (638 8891).

The Philharmonia conducted by John Nelson with Joshua Bell (violin). Kodaly, Mozart, Dvorak. Royal Festival Hall (Wed) (928 8800).

Frankfurt

Young German Philharmonic, conducted by Gary Bertini, Mira Zakai (alto), and Frank Peter Zimmerman (violin). Schonberg, Mahler, Berg and Ravel. Alte Oper (Wed).

Cologne

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Christine Cairns (mezzosoprano). Shostakovitch and Mahler, Philharmonie (Sun).

Munich

English Chamber Orchestra with conductor and pianist Christoph Eschenbach. Mozart, Britten, Beethoven and Janacek. Philharmonie im Gasteig (Sun).

Berlin

Jazz Festival Berlin Steve Kuhn, New Association, David Grisman Quartet and Svend Asmussen/Claude Fiddler Williams/Mark O'Connor, Jack DeJohnette Special Edition. Philharmonie. (Sun).

Berlin Philharmonic Orchestra conducted by Sir Colin Davis. Gil Shaham (violin), and the Leipzig Radio Choir. Sibelius, and Holst. Berlin Philharmonie. (Wed).

Vienna

Athens Experimental Orchestra conducted by Stavros Xarhakos, with Agnes Baltsa. Musikverein (Thur).

Ensemble Modern, conductor Peter Eotvos, soloist, Zoltan Kocsis (piano). Konzerthaus (Sun).

Wiener Symphoniker, conductor Georges Pretre. Mozart, Richard Strauss, and Mahler. Musikverein (Sun).

Bartok Quartet. Haydn, Bartok, and Beethoven. Musikverein. (Mon).

Radiosymphonieorchester Peking, Musikaolische Jugend, conductor Yuan-Fang, soloist, Riccardo Carmello (piano). Wang Xi Lin, Yinghai, and Brahms. Musikverein (Tues).

The Chamber Orchestra of Europe, conducted by Claudio Abbado, with Marjana Lipovsek (alto). Wagner, Mahler, Schoenberg, and Brahms. Musikverein (Wed).

The Chamber Orchestra of Europe conducted by Claudio Abbado, soloist Maria Joao Pires (piano). Schoenberg, Schumann, Brahms. Musikverein (Thurs).

Wiener Bachsolisten conducted by Ernst Wedam. Vivaldi. Musikverein (Thurs).

Ensemble Die Reihe, Wien Modern Festival. Conductor Friedrich Cerha, soloists Gabriele Auenmuller (soprano), Renata Biskup, (alto). Ligeti and Schoenberg. Konzerthaus (Thurs).

Rome

Michele Campanella, piano, playing Scarlatti, Chopin and Schumann. Teatro Olimpico, Piazza Gentile da Fabriano (Wed) (393304).

Leipzig Gewandhaus Orchestra conducted by Pedro Ignacio Calderon with Joshua Bell (violin). Mozart, Manzoni and Shostakovich. Auditorium in Via Della Conciliazone (Sun, Mon, and Tues) 6541044.

Milan

Hungarian National Symphony Orchestra conducted by Gianandrea Gavazzeni, with the Budapest Philharmonic Choir in Mendelssohn's Paulus Oratorio. Teatro Allascala (Mon, Tues, and Wed) (8091266)

New York

Scottish Chamber Orchestra conducted by Sir Peter Maxwell Davies, with Cecile Licad (piano), Neil Mackie (tenor). Mozart, Maxwell Davies. Carnegie Hall (Wed) (247 7800)

New York Philharmonic conducted by Zubin Mehta, with Joaquin Achucarro (piano). Mozart, Rachmaninov and Beethoven. Avery Fisher Hall, Lincoln Center (Tue).

Waverly Consort. Johanne Sciconis and Guillaume de Machaut among other composers of the 14th century avant garde. Alice Tully Hall, Lincoln Center (Thur) (874 6770).

Meridian Arts Ensemble. Juilliard Concerts at IBM Atrium: brass quintets by Handel, Hindemith and Ewald (Wed mat, 12.30, free).

Washington

National Symphony Orchestra conducted by Rafael Fruhbeck de Burgos, with Christina Ortiz (piano). Falla, Rachmaninov, and Beethoven. Concert Hall, Kennedy Center (Tue).

National Symphony Orchestra conducted by Kazuyoshi Akiyama, with Janos Starker (cello). Takemitsu, Bartok/Serly, Saint Saens and Mussorgsky/Ravel (Thur) (254 3776).

SPONSORSHIP

Mad on new money

Sir Peter Hall was never very keen on sponsors: he begrudged spending the time glad-handing businessmen in return for cash which he thought the Government should provide through the Arts Council. As a result the National Theatre never attracted the sponsorship its reputation justified.

Now with a new director, Richard Eyre; a new sponsorship fund raiser, Carole McPhee; and a new name (Royal has been bestowed) which should appeal to the more insecure company chairmen, the National is making a greater drive for sponsors, hoping to lift considerably the 4 per cent (£600,000) of its income that comes from sponsorship and donations.

Its first success has been in persuading Digital, the computer company, to provide £350,000 for an advanced box office computer system, which Digital will also maintain and service. In return Digital will be linked with a touring NT production during each of the next three seasons. Digital will obviously be keen to ensure that its computer fulfills all the hopes placed in it by the NT, that it will not only revolutionise an antiquated ticket booking system but also operate as a data base for more sophisticated marketing exercises, especially as Digital's equipment is used at other South Bank arts venues.

Carole McPhee has produced a sponsorship price list for future RNT productions and has already signed up a backer for *Hamlet* (for £75,000). You can link your company to a lavish new production of *The Bourgeois Gentleman* for £90,000 or to *Hedda Gabler* for a reasonable £45,000. And all prices are subject to negotiation. With a sober realism all too rare in the sponsorship world Carole McPhee is not over-optimistic that the Royal National will get all, or even most, of its productions supported. Sponsors want custom made packages devised for their benefit rather than to supplement a scheduled event.

She sees more scope in trade offs, like the Digital deal, or in one-off special evening events at the theatre. For £5,000 a company gets 50 tickets, plus entertainment trimmings, and eight have already bought the experience as a business hospitality opportunity. ManuLife is hosting an evening at *Single Spies*, the forthcoming Alan Bennett double bill, and, in all, the RNT is budgetting for 25 such occasions in the next financial year and 50 subsequently.

Another scheme under consideration is a challenge grant, under which a major institution with many consumers that it reaches by post – like a credit card company or a utility like British Gas – challenges its customers to give the RNT their financial support with the promise that it will match any sum raised. This works in Australia, and will certainly be tried out in a UK which has suddenly gone mad on new money raising wheezes for the arts.

Meanwhile Sir Peter Hall seems about to renew his links with sponsors. *Orpheus Descending*, the first production of the new theatre company he has formed with Duncan Weldon – which is based at the Theatre Royal Haymarket but which will spend much of its time touring – failed to attract a backer, but a Shakespeare, scheduled to tour the country next year, is close to being sponsored, to the tune of £100,000.

★

Art dealers are not known for their charitable instincts: they would sell their own mother if she had the correctly curved bow legs. But Lane Fine Art, specialists in early English portraits, is attempting to redeem the reputation of the trade by an unusual sponsorship – of two rooms in the National Portrait Gallery in London.

Naturally the rooms house the Tudor and Stuart portraits in the collection, and the Lane money, over £20,000 in the first year with the sums for the next three years depending on profit levels in the art trade, will ensure that they look good. The NPG is not the most alluring of museums, but these galleries at least should be better maintained and more decorative than the rest. There might even be flowers.

The only recent instance of a dealer getting involved with sponsorship, Marlborough Fine Arts contribution to the current Bacon show in Moscow, has an element of self interest – Bacon is a Marlborough artist. Dealers, who live well off the visual arts, should give back more.

★

MacDonalds has at last joined the arts sponsorship club. The fast food chain is putting £15,000 (matched by another £15,000 through the Business Sponsorship Incentive Scheme) into the City of Birmingham Symphony Orchestra's "Adopt a Player" project which sends musicians into 30 schools in the Birmingham area to introduce children to the joys of classical music.

Next summer MacDonalds gets to sponsor a CBSO concert and will use the occasion to reward loyal staff. For all its artistic reputation the CBSO has yet to tie itself to one major sponsor: next year it hopes to raise £200,000, around a tenth of its revenue, from this area, but with the cash coming from 30 backers.

★

Arts sponsorship has grown like fury in recent years but has still to make much headway in the City. There are now signs of some converts most notably the decision of Linklaters, one of the oldest and biggest law firms in the Square Mile, which is celebrating its 150th anniversary, to back a production of Purcell's "Faery Queen" in performances at the Middle Temple and in the Guildhall from November 28th. The company is putting in at least £25,000 and, as a first time sponsor, the BSIS is producing matching cash.

It is an imaginative venture, combining youth and Europe: the musicians are a Dutch early music group and the singers are from the Guildhall School. But the most significant aspect is the involvement of a City service company in the arts.

★

Tomorrow Whitbread announces the winners of the five categories in its Book of the Year Competition, who then slog it out for the £21,500 first prize, announced in January. Among the novels Salman Rushdie is likely to get speedy consolation for his failure to win the Booker and among the biographies A.N.Wilson's *Tolstoy* might just edge out the much hyped *Shaw* of Michael Holroyd. An outsider to scoop the pool could be a first novel, a category which has never won the Whitbread. Tipped this year is *The Comforts of Madness* by Paul Sayer, based on his experiences as a nurse.

★

British Gas has gone sponsorship crazy, with a double commitment to the heritage. It has put up £150,000 to finance the Treasures for the Nation exhibition at the British Museum and £32,000 to sponsor the National Heritage Museum of the Year awards for the next four years.

The BM show, which runs until February 26 next year, offers a good cross section of objects saved for the nation by the National Heritage Memorial Fund, from a First World War tank to the Great Bed of Calke Abbey, while backing the "Museum of the Year" gets British Gas involved with museums throughout the country – there have been 54 entries for the 1989 award.

Antony Thorncroft

SALEROOM

Boom in British art

The current passion for modern British art shows no signs of abating and major sales in London this week, at Sotheby's on Wednesday and Christie's on Thursday and Friday, should fuel the boom.

Of particular interest at Sotheby's are a ravishing portrait of a young girl reclining on a *sofa*, painted in 1892 by Phillip Wilson Steer; a portrait by Carrington of Julia Strachey; and a still life of a coffee pot by Camden Town artist Malcolm Drummond.

Ten days ago at Lawrence of Crewkerne a similar composition by Steer doubled his previous auction best, selling for £134,200, and although this example carries a top estimate of only £60,000 it could set a new record. Works by Dora Carrington, who committed suicide at the age of 39, and by Drummond, rarely appear on the market and new records should be set for both artists, with a price in excess of £12,000 for each picture.

In Sotheby's last major auction in the summer there were record prices paid for Christopher Wood (£34,200) and Ivon Hitchens (£39,600) which naturally brought more examples into the saleroom: Sotheby's expects the interest to be maintained. Like the Camden Town School prices for the English neo- Romantics still look relatively modest and a good group, including John Piper, John Minton and William Scott, should do well. A record for a work by William Roberts is also on the cards – for the colourful "Bicycle Boys" of 1939.

Christie's will sell a substantial collection of paintings by Sir Noel Coward, estimated at between £1,000 and £25,000 each on Thursday: an auction of his work earlier this year did exceptionally well. There is also a large band of Russell Flint's, and among the Newlyn School examples "The saffron cake," by Stanhope Forbes, is estimated at up to £45,000.

Antony Thorncroft

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Foreign factor in US vote

ALTHOUGH THERE has been very little debate in the US presidential campaign on alternative foreign policy prescriptions, it would be wrong to say that the campaign has been fought purely on domestic issues, or that foreign affairs and the qualifications of the candidates in that area have not played an important part.

If the majority of Americans believe – as they clearly do – that the Reagan presidency has been an overall success, it is because Mr Reagan came into office with two very simple and powerful ideas, both of which appear to have been proved right by events. One was that taxes should be cut, the other that the US must firmly confront the Soviet Union on a basis of military strength.

Taxes were cut, and most Americans feel themselves to be better off materially than they were eight years ago. Even among the very large number who are demonstrably worse off in terms of the purchasing power they derive from an hour's work there are many who, rightly or wrongly, feel more secure in their jobs.

The main threat they perceive to that employment is foreign competition, particularly from Japan and other east Asian countries, and in some cases, however irrationally, from foreign ownership (also Japanese, though in reality British and other European ownership of US firms is much more common). Mr Gephardt in the Democratic primaries, and latterly Mr Dukakis and Mr Bentsen in their presidential campaign, have made some effort to exploit this, with apparently very little success. That is interesting and encouraging: it appears that most Americans are aware, however vaguely, of their dependence on foreign trade and foreign investment, and realise that government efforts to interfere with either would do them more harm than good.

Striking vindication

On the strict foreign policy side, the INF treaty and the vastly improved atmosphere in East-West relations appear a striking vindication of Mr Reagan's policy of "peace through strength." The relationship of cause to effect cannot be proved, but to most Americans it is at least prima facie plausible. Mr Dukakis at any rate believes so, for he has refrained from any broad attack on the Reagan foreign policy record, sounding almost at times as if his only desire was to present himself as somehow a worthier successor than Mr Bush.

He has concentrated his attacks on the arms sales to Iran (from which Mr Bush has sought most unconvincingly to dissociate himself) and on the bungled relationship with General Noriega of Panama, in which Mr Bush's involvement is undeniable. But these attacks have been more than offset by the Republican charge that Mr Dukakis would weaken America's defences and, more generally, that he is lacking in patriotism.

On the defensive

On this issue Mr Dukakis has been forced on to the defensive, although he has good answers. It is a fact that Mr Bush, if elected, will have to reduce defence expenditure substantially if he is to fulfil his pledges of holding it in line with inflation and of eliminating the budget deficit without raising taxes; and he has been even less willing than Mr Dukakis to indicate which programmes he would cut.

Mr Dukakis also has a good point when he says that America's strength will ultimately depend on the health of its economy. But, by presenting the issue as one of competence rather than of fundamental political choice, he has made it difficult for himself to get this point across. He has not succeeded in alerting Americans to some of the very difficult international problems the next administration will have to face, either because he does not have distinctive solutions to propose or because the choices involved have unpleasant domestic implications which could lose him votes.

By asking to be judged on competence he has tipped the scale in favour of a rival who is at least a known quantity, with extensive experience of international affairs, and who can claim to offer continuity. Those are arguments of special concern to foreigners, who do not have a vote tomorrow. But they affect Americans too.

Mr Lawson's newest kite

BRITAIN'S Chancellor of the Exchequer, Mr Nigel Lawson, would do well to make his intentions towards the welfare state plain today. To judge by accounts appearing over the weekend he has perhaps inadvertently chosen the classic method of flying an unattributable kite as a means of initiating a debate on whether benefits paid to the elderly should be universal or selective. Some elderly people may draw the conclusion that their existing state pensions are at risk. Only a proper statement in the House of Commons will reassure them.

It should not be too difficult to reaffirm the Conservatives' election campaign commitment to maintain the value of pensions, which means at least increasing them in step with inflation. There is no form of words that could invalidate that commitment, as the Government chose to believe there was in the case of its undertaking to continue to pay child benefit.

That said, Mr Lawson might reasonably express the Government's concern at the long-term prospects for keeping up the present level of benefits paid to pensioners whose numbers are set to increase sharply in relation to the working population. The elderly can no longer be regarded as an homogeneous group of poverty-stricken old folk.

Definition of needy

There is much force in the Conservatives' assertion that the growth in private pensions, earnings related state pensions and savings is creating a relatively wealthy segment of the retired population – but very little credibility in the conclusion that the number of really needy elderly people is therefore small. A great deal depends upon the definition of needy. The Government should limit its theories of the beneficial effect of reducing dependency on the state to the working aged population, which may well contain idlers. It would be wrong to extend such theories to the retired population, which includes many frail people who are inevitably dependent.

When it comes to this group, the particular strength of universal benefits is that they produce a universal take-up. Selective benefits, like the new family credit, usually do not reach all the people they are supposed to help. In the case of the state pension itself, the Government has never wavered from the view that National Insurance payments made during one's working life are contributions towards a pension as of right. This may be a fiscal fiction, but it is what most people believe. It is perhaps for this reason that the second message of the weekend was that there is no question of eroding the *basic* pension.

Gradual erosion

Mr Lawson's kite was doubtless flown with a less ambitious initial objective. That would be to win support for a gradual erosion of the additional universal benefits that come with the status of pensioner. The £10 Christmas bonus is one such benefit. Prescription charges are another. Pensions for the over-80s are a third.

In all such cases the Government may argue that there should be an emphasis on selective payments. This is the argument that was applied last week to the imposition of charges for eye and teeth check-ups. Last Tuesday's vote in the House of Commons is evidence that there is a strong current of disquiet inside the Conservative Party over the prospect of discouraging the elderly from going for such check-ups by insisting on payment. This disquiet is likely to become manifest in other areas.

The Government is likely to respond that wealthy over-65s should not receive such state "handouts", since targeting enables the Exchequer to concentrate help where it is most needed. This argument would carry greater weight if all the cash saved was in fact recycled to the poor. This was not the case when the level of child benefit was frozen. Only a proper, open, debate will establish whether it is the intention when it comes to support for the elderly.

Hazel Duffy describes a new mood of co-operation throughout the country between civic and private enterprise

Partners for a brighter Britain

A meeting took place in London last month which would have been politically unthinkable a year ago. Over dinner the Labour leaders of Strathclyde regional council and a dozen of Scotland's leading financiers and industrialists, together with Conservative and Labour politicians, met to consider how to bring more prosperity to the region in which half of Scotland's population lives.

Afterwards Mr Charles Gray, Strathclyde's leader, was euphoric. "It was a unique gathering . . . we are completely united in our objectives to boost the West of Scotland economy."

Local authorities have always had contacts with business on specific matters. But what is emerging now is a new willingness by the public and private sectors to co-operate on broader issues. The reason for the new alliances is the problems presented by industrial dereliction, unemployment, lack of skills and run-down city centres – loosely lumped together as "inner cities".

In cities as far apart as Southampton, Sheffield and Belfast, in temporary offices loaned by companies, and in council chambers, local businessmen are sitting down with their councils to discuss and plan bright new futures for their cities.

The motives of the partners might be different, but, for the moment at least, their aims are in accord. The business community is beginning to see Britain's inner cities as a wound on the body of Thatcherite Britain which must be healed. Companies, prompted by the Prime Minister, are starting to acknowledge that they have a responsibility to local communities on which they had largely turned their backs.

'Someone has to take the initiative, to get it going. Stoke does not qualify for urban aid, or for industrial assistance. We have to do it on our own.'

Councils, weakened by successive cuts in central government financial support, have realised that they must get together with business to accelerate the process of solving some of the physical and social problems confronting them. Increasingly, as Government policy has cut the power of local authorities, the only way they can get their hands on central government urban money is through the private sector. Mr George Gill, leader of Gateshead council, probably spoke for many others when he said bluntly: "I would work with the devil if it were good for Gateshead."

The ways in which the links are being forged vary. Some councils go for a formal partnership, such as the one left-wing Sheffield has formed with business – the same people, members of the chamber of commerce, whose main contact with the council until recently was to complain about high rates. Birmingham has formed a partnership with leading construction companies to develop a large run-down area in the east of the city. Other councils, like Stoke-on-Trent, have set up community partnerships, chaired by an industrialist, with support from the council.

Some cities, like Gateshead, do not have a formal partnership, but work closely with the private sector to encourage re-development.

Many have taken their cue from US cities which have succeeded in finding a post-industrial role. Pictures of the waterfront at Baltimore adorn many a Labour leader's office, and the legend of Lowell, the Massachusetts mill town which found a new role as a high-tech centre, provided inspiration for similar towns in Britain.

But Mr Michael Parkinson, head of the new urban studies unit at Liverpool University, and a member of BOOM, the new private sector-led group which is seeking to address the problems of Merseyside, injects a cautionary note.

"In the US," he says, "the public sector – particularly the local authorities – is the major player. But the Thatcher model is to exclude the public sector. This ignores the fact that the private sector comes in when the risk has gone. You saw this with the Boston banks."

Glasgow renewal of its city centre, now famous, was public sector-led. The same applies to Dundee, a historic city bordering the Tay estuary, which nevertheless suffers many inner city problems. In 1982, the Scottish Development Agency (SDA) took over the management of the Dundee Project started by the regional council. Two years later, lobbying the Government to gain enterprise zone status was rewarded.

The SDA brief was wide, covering economic and physical regeneration. A £36m project to develop the waterfront is under way. It is hoped this will form a flagship project to spur further renewal projects, as with waterfront developments in the US. It has involved complex and lengthy negotiations to assemble the land, which has been part sold, part leased, to the developers, the Glasgow-based GA group.

The plans – which had to be revised to create a commercially viable scheme – are for a mixed development, including a multi-screen cinema, small shops, a superstore, and a heritage centre based around Captain Scott's ship, the Discovery, now back in the city where it was built.

Mr Nick Medhurst, GA director for the project, agreed that the complexity and long gestation of such developments demands a leader "who ideally should be in the public sector. A private developer would not have been able to do this."

The prize industrial development is the technology park, which is attracting speculative property development. Several high-tech companies have moved to the park. This was where Ford would have put its electronics plant if trade union objections could have been resolved. Instead, it was lost to Spain.

The financial muscle of the SDA is much envied in England. The Dundee Project has had £38m in public funds, triggering £46m in private investment; another £21m of public spending is planned over the next three years. The SDA proposes to strengthen private sector participation on the project steering committee. The essential characteristic of the Dundee programme, however, has been the lead given by the public sector, including the local councils.

The MetroCentre shopping complex in Gateshead: an urban renewal project enthusiastically backed by the city council

Gateshead, across the River Tyne from Newcastle, has none of the old buildings which, when restored, can form the core of renewal. J B Priestley, the novelist, described it as "a huge dingy dormitory" in his 1934 book English Journey.

Today, it has 1960s tower blocks and gaping acres which were once the site of industry. But it also has a thoroughly 1980s shopping complex in the MetroCentre, sports facilities made famous by Brendan Foster and Steve Cram, and in 1990 it will have a £38m national garden festival.

The MetroCentre was the brainchild of Mr John Hall, chairman and managing director of Cameron Hall Developments, who now plays a leading role in promoting the North East. The centre bears little resemblance to the plans he first submitted, which were for a much more down-market development. But the council backed him to the hilt in the belief that his plans had imagination and would benefit the city.

Gateshead projects under way, some public, some private, include The Avenues. This development is an attempt to renovate an area of owner-occupied "Tyneside flats" – houses with a ground-floor and first-floor flat, one typically rented by the owner for extra income – in a grid of Victorian streets.

The council persuaded Mr John Patten, then Minister of State at the Environment Department, to allow it to allocate government funds as improvement grants to the owners in a pilot scheme (only property unfit for human habitation qualified). The grant was set at a level that encouraged the owner to put his money in to complete the renovation. Northern Rock building society has played a leading role in providing financial advice to this council-led initiative.

In another part of the city, Mr Peter Rodgers is supervising the restoration and conversion of a former Burton clothing warehouse into a new project called Design Works. He will then manage the centre, which will house up to 50 small businesses in design and related fields. Half the costs are being met from the public sector, half from the private. Burton donated the warehouse and management time.

Gateshead has received between £50m and £60m of government urban money over the last 10 years. It may seem a lot, but compared with the scale of the problems and the cuts in central government funding to the local authority, it was modest.

The community partnership in Stoke-on-Trent has, in some respects at least, an even tougher task. First impressions of the six Potteries towns, between Birmingham and Manchester, are of a predominance of red brick darkened by past industrial grime. The area lost 30,000 jobs between 1979 and 1982.

Stoke's civic leaders want a better environment, and a more diversified economy. Sir Richard Bailey, until recently chairman of Royal Doulton, one of the leading pottery companies, chairs the partnership. British Rail has lent a manager to run it. They work closely with the Business Initiative, formed by leading companies in north Staffordshire to encourage new businesses and jobs.

Mr Allan Leach, chief executive of the partnership, admits that with limited funds it can only identify problems and remedies, and encourage the private sector to come in. "Someone has to take the initiative, to get it going. Stoke does not qualify for urban aid, or for industrial assistance. We have to do it on our own."

The plans include the tidying, by the many site owners, of the corridor beside the rail approach to Stoke station, as part of a broader bid to improve the environment and the general confidence of the city. The site of the 1986 garden festival has been sold to developers and plans for a big retail site on the Wheatley's Tile Quarry have been approved.

Regeneration is about more than physical development and greening of industrial sites however. The region has a poor record of children staying on to the sixth form. The partnership plans to offer bursaries to encourage longer studying.

By comparison with the partnerships forged in the US, those emerging in Britain lack a professional dimension. Mrs Thatcher's erosion of local government power reinforces the inherent weakness of their structures. Despite their achievements, many councils lack the ability to determine objectives from which the city as a whole will benefit.

In Liverpool, lack of understanding between the public and private sectors has been most apparent. Mr Parkinson warned that the geographical pattern of economic regeneration, and the people who benefit, is bound to be uneven. "We know a lot more about the successful cities than the failures. For every success in the US, there are many more failures. Likewise, in Britain, some places will succeed, some people will succeed, but some will not."

OBSERVER

Conjugal Day in Japan

■ Japanese husbands, notorious for ranking work, golf and a drink in the bar well above their wives in importance, are being urged by the Government to be nice to their spouses. The Ministry of International Trade and Industry has put forward a plan for a new national holiday – Conjugal Day – to encourage couples to spend more time together.

MITI says that middle-aged men have had so little experience of going out with their wives that they are embarrassed. MITI believes it is no use suggesting that workers take a day off to mark their wedding anniversary, for example, since many Japanese do not even take their existing holiday entitlements. But the ministry thinks that a national Conjugal Day might make the most hardened employee turn sentimental.

If Parliament approves, Conjugal Day will fall on November 22, the day before Labour Thanksgiving Day – when everyone gives thanks for working as hard as they do. However, the idea has run into opposition from the unmarried, widows and divorced people who claim the plan would be discriminatory, since they would have nothing to celebrate.

Some wives quoted in Japanese newspapers are also wary. One said it was bad enough having her husband around on Sundays: "He doesn't know what to do with himself."

Boutique sold

■ Once the flag bearer for independent investment management boutiques in the UK, Geoffrey Morley has given up the struggle for separate existence. It has been swallowed up by the £1.2bn Globe Investment Trust for the equivalent of £5m. "The days of the boutique are numbered," says Norman Pilkington, chairman of Morley, which has seen its pension fund money under management slump from £1.3bn before the crash to £700m today.

In 1971 Morley left his job as investment chief of the Shell pension fund and set up the company which still bears his name. Pilkington was originally his assistant at Shell and joined his old boss again in 1978, taking over as chairman in 1984. Morley, at the age of 69, shrewdly sold out his personal stake three weeks before the crash last year, leaving Pilkington to struggle on against mounting odds.

The crash was only the first blow. Then came the full bureaucratic impact of the Financial Services Act which, Pilkington says, "has virtually put paid to small enterprise." Although only a small and simple operation, Morley found that it had to join no less than three self-regulatory organisations.

During the good times Pilkington brushed aside more than 40 takeover approaches. Then, after Morley lost key clients in September, it was his turn to approach Globe, "our ideal partner".

Private story

■ Rodolfo Terragno, Argentina's Minister of Public Works, has written another book. Author, publisher and leading light of President Alfonsín's Radical Party Government, Terragno has the task of persuading a reluctant and majority Peronist opposition party to accept various privatisation schemes.

They include selling 40 per cent of the state airline, Aerolineas Argentinas, to Scandinavian Airline Systems. The Peronists are opposed to the sale, not least because as the agreement stands it breaks two laws written into the Constitution, prohibiting private capital in nationalised industries.

Still, Terragno has brought out a publication of 84 pages called "The agreement with SAS – the start of a revolution in state enterprises". Since the deal has yet to be approved by Congress, Terragno evidently knows something that others do not, or is employing wishful thinking. In the Argentine way, he is much admired for his nerve.

"I can't decide whether not to vote for Bush or not to vote for Dukakis."

Lady's bounty

■ IBM, the world's biggest computer company, looks set to scotch an ingenious initiative by one of its ex-employees which could have helped to open up a lucrative source of cash for British universities.

The idea came from Helen Taft Gardiner, American by birth but now a naturalised Briton living in the Channel Islands. Gardiner has been in the habit of giving generously to her US alma mater, Barnard College. Having worked 24 years for IBM in the US, she was eligible for an IBM scheme by which the company doubled the money she paid to Barnard.

Fired by reports of Oxford University's drive to raise £220m from private sources, she wrote to IBM in the US asking whether they would match her donations if she switched some of her giving to Oxford.

She feels an obligation to Oxford for, in her words, "having put up with" her late husband. After a year amid the dreaming spires, he was gently asked to quit the academic world for his real passions, which were his Buggati and his family business. Neil Gardiner was the great-grandson of the founder of Huntley & Palmers, the biscuit company.

IBM has already helped Oxford to introduce information technology into the university's Politics, Philosophy and Economics course. But the word from the parent company in the US is that its matching grants scheme is available only for US universities.

Reith's word

■ The trouble with the Oxford Dictionary of Quotations is that it so rarely contains what one is looking for and it is unclear why most of the quotes are in at all. An attempt to rectify this for the 20th century is published by Longman today and called "Says who?" It reminds us that it was Lord Reith, that pillar of public service broadcasting, who said that the ideal form of government is "despotism tempered by assassination".

Proper name

■ The Togo Minister of Rural Development, who will preside over the cocoa producers' conference that opens in Lomé today, is called Kaffi Walla.

Tim Coone reports on the grim outlook for El Salvador as President Duarte prepares to depart

President Duarte, who is suffering from cancer, greeting a well-wisher in Chalatenanco Province

A nation stricken by conflict

Issues, like facts, tend to get brushed aside in US presidential races. But one issue is going to re-emerge to dog the next occupant of the White House just as surely as it has dogged his predecessors.

El Salvador is a country that evokes images of political violence – the tinted-window pick-up truck roaming the streets at night, the fortress homes of the coffee barons, the twisted-axle remains of a car-bomb and splintered glass littering the street, the candles provided in the hotel bedroom for when the power lines succumb to yet another guerrilla attack. Like its smoking volcanoes, El Salvador is preparing for another eruption.

For after eight years of insurgency and counter-insurgency, $3bn in US taxpayers money and 70,000 dead, the US-backed Christian Democrat (PDC) government of terminally-ill President Jose Napoleon Duarte is as far away as ever from bringing peace to this society of seemingly irreconcilable divisions.

The left-wing FMLN guerillas, far from being defeated, are in the middle of a new offensive and are increasingly confident of their capacity to mobilise the trade union and student movement should push come to shove. The right-wing, resentful of the reforms carried out by the PDC and fearful of the left capturing the middle ground, have sworn to crack down on the left-wing opposition should they win the presidency next year.

In the middle, the tragic figure of the emaciated, balding President (he is undergoing powerful drug therapy for an incurable liver cancer after treatment in the United States), has become an almost Shakespearean symbol: the leader of a disintegrating party-in-government attempting to wash the blood from his hands (this month Amnesty International has once again accused his regime of failing to rein in the death squads) as the nation slides deeper into division and conflict.

When the Christian Democrats split in 1980 over the issue of the death squads, Mr Duarte emerged as the man to lead a new civilian-military junta. He was described by some as possessing "messianic zeal", believing that he alone could save El Salvador from both right and left.

"Mission completed," he solemnly told a gathering of the Christian Democrat faithful at a party rally 10 days ago, as he paved the way for a handover to his successor, Dr Fidel Chavez Mena, the PDC candidate for next March's presidential elections. If his mission was to buy time, he has indeed succeeded. If it was to bring peace and stability to El Salvador, the return of the war to the capital last month is glaring evidence that he has failed.

In an unprecedented interview on local television late last month, Mr Joaquin Villalobos, one of the top FMLN (Faribundo Marti Liberation Front) guerrilla leaders said: "A government that cannot keep peace in its own capital is weak . . . there is not a hill in El Salvador where there is not a permanent guerrilla presence. We are on the outskirts of all the major cities."

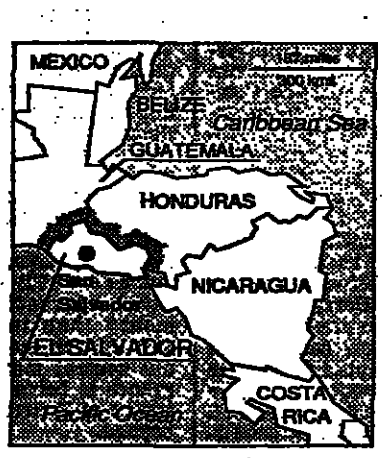
Following a daring daylight raid on the National Guard barracks in San Salvador last Tuesday, the guerrilla radio station "Radio Venceremos" warned the Government that further such attacks are planned and that "not even the army headquarters or the Presidential Palace will be immune".

The March elections are the catalyst of what would seem to be the forthcoming dénouement of the Salvadorean crisis. Three powerful and ideologically distinct political groupings will contest the elections. These are the far-right ARENA party, the ruling centre-right PDC, and – for the first time – the broad-left, guerrilla-linked Convergencia Democratica.

The *vox populi* is that ARENA will win, as it did last March, when it took control of the National Assembly. If it also gains control of the executive, it is expected to roll back the reforms carried out by the PDC, such as land reform, bank nationalisation and state control of coffee exports.

The biggest fear is that this will be accompanied by a wave of killings. One of ARENA's founders, Major Roberto d'Aubuisson, a member of the National Assembly, is widely believed both inside and outside the country – including by the US State Department – to have organised the death squads in the early 1980s.

Mr Ruben Zamora, a leader of the Convergencia Democratica and of the FDR, a political grouping allied to the FMLN guerrillas, returned to El Salvador this year after seven in exile. He had fled following the murder of his brother – both were then Christian Democrats. He now lives in a sparsely-furnished house in a suburb in the capital. A guard answers the steel door set in the high concrete wall surrounding the house. He eats breakfast alone – his wife and children are elsewhere. A portable Fax machine sits on the living room floor. It is as though he has a suitcase permanently packed.



"It is risky coming back, but it is necessary to increase the political pressure within the country for a negotiated solution to the war," he says. "The elections are not a contest for power itself but for just the trappings of office as has been shown by the previous elections. The army and the vested interests in this country are the ones that hold power, not the government, and they are the ones that have to be pressured to negotiate."

Dr Chavez Mena has said he does not rule out negotiations with the FMLN if the Christian Democrats win the election. Dr Zamora, however, is sceptical about the worth of such talks, citing the results of his past negotiations with the Duarte government as a representative of the FDR-FMLN. "They do not hold the economic and military power to be able to make concessions," he said.

Ironically, the collapse of the political centre through the imminent death of its leader President Duarte might also create better perspectives for peace. According to Joaquin Villalobos: "The obstacle to negotiations has been the Reagan administration. President Duarte has been the instrument of US policy within the country and as that instrument weakens, then a space opens up for a real dialogue and not just the formality of one."

The US continues to hold a strong bargaining card. Up to $500m is flowing into the country annually from the US government to keep the economy afloat, while the military aid, training and assistance has so far been able to stem the guerrillas' advance, although not to defeat them.

The cracked and abandoned buildings throughout the capital, a legacy of the 1986 earthquake, are a graphic reminder that not only the guerrillas threaten the country's illusory economic stability. Without the US aid, any government would rapidly face collapse. It is a card that could keep the excesses of ARENA in check, but if it fails to work it is doubtful that the US will stand idly by as its counter-insurgency showpiece crumbles apart.

The left is faced with an even deeper dilemma. Were it to win the elections, it would have even less power than the PDC. Dr Oqueli, one of the Convergencia leaders, said: "We would be in an even worse position than Salvador Allende was in Chile." (The Marxist president was overthrown by General Pinochet in 1973).

Alternatively, if the war should eventually lead to an insurrection and a military overthrow of the government, the Nicaraguan experience has shown that a revolutionary government in Central America faced with a hostile United States can cling to power, but only at the cost of economic devastation. El Salvador is even more dependent on the US than Nicaragua was at the time of the 1979 Sandinista revolution. It also has a bigger population, far less land and, with perestroika underway in the USSR, a revolution in El Salvador would be unlikely to receive the wholehearted support of the Soviet Union and would be even less likely to be bankrolled by Moscow's reformist leaders.

"Socialism is not on the agenda for Central America," said Dr Zamora. "There has to be a mixed economy in El Salvador. There would have to be foreign investment. There has to be an understanding with the United States. But there also has to be a solution to the problem of the two armies in this country. Because without peace no plan will succeed."

The shudder of army helicopters passing regularly over the capital, the armed patrols on the streets, the television news reporting guerrilla attacks and casting doubt on the official government version of events are all part of the contradictory images of the last months of the ailing Duarte government. As the President dies, an entire strategy dies with him. And no-one seems sure of what will take his place.

LOMBARD

Eating our greens

By Joe Rogaly

Every company that makes or sells consumer goods would do itself a favour if it sent out first thing this morning for half-a-dozen copies of a new paperback, The Green Consumer Guide*. The next step is to have every director read it, and then to circulate it down the line. For the authors of this book seek to mobilise consumer power.

A highly successful businesswoman, Anita Roddick, has written the foreword. The Body Shops, she says, "have always attracted customers who are well-informed and environmentally aware." And, as the authors point out, the post-war baby boom has now produced the first generation containing a large proportion of 25-to-45-year-old environmentally-conscious consumers. "This is also the sector of society enjoying the most rapid growth in disposable income and so it is their spending power that many manufacturers are particularly concerned to capture," they write.

It is already having a major impact. Supermarket shelves now contain many products labelled "free of all colourings and preservatives". A recent book on the subject, E for Additives, has sold well over half a million copies, according to Ms Roddick. In the US McDonalds have abandoned the use of hamburger cartons containing chloroflourocarbons (CFC) – the gases that eat at the ozone layer. Many aerosol sprays now boast that they are CFC-free. The shift to less harmful detergents, biodegradable containers and, in the US, lead-free petrol, is proceeding apace.

All this is the result of pressure by the soft end of the green movement – the high-consumers who prefer to buy goods that they believe are not harmful. It is quite separate from the hard end – the mainly young people who insist that the only solution is to consume less.

Those of us who believe in capitalism, and are not convinced of the merits of abandoning growth, will best protect the market economy by listening very carefully indeed to the soft greens. Perhaps this is one reason for the Conservative Government's recent adoption of a strongly environmentalist posture.

Individual companies have a more immediate bottom-line interest in what the soft greens say. The Green Consumer Guide will tell them why. In the timber business? Look at the chapter that tells you which tropical hardwood products have come from threatened rain forests, which come from "sustainably managed" plantations, and which temperate hardwoods are good alternatives. In paints? Some contain lead; some do not. The same distinctions are made for lawn fertilizers, cars, the various weasel-labels for eggs that you might think are free-range, and just about every product on the market. Import German cars, which are fitted with devices that clean up car exhaust emissions, rather than British-made cars, which are not. Brands are named. Shops are listed. The "greenest" supermarkets the authors could find in a survey in April and May were Safeway and Sainsbury. Both rated four out of a possible five stars. Marks & Spencer's score: 1.

There is one further reason for companies to study this relatively new element in the business puzzle. It is that the individuals who run businesses have a responsibility to protect the environment, just like everyone else. Some US companies in the top 500 now recognise this – or, if you must be cynical, they recognise the value of showing themselves to be conscious of the environmental effects of what they do. The tide is running that way in Britain, but it is at its strongest at the consumer end. Some people will argue that the business of businessfolk is business, and no more. The answer to that is that if business leaves such matters to the Government, government regulation will increase. There really is no sensible option but for the next board lunch to consist of a dedicated swallowing of those healthy-looking greens.

* *by John Elkington & Julia Hailes. Victor Gollancz Ltd. £3.95.*

LETTERS

Discovery lies in fostering diversity

From Dr Donald Braben.

Sir, Your editorial on the declining science base (November 1) shines out like a beacon from the fog of uncertainty and confusion threatening to engulf the academic community. The constraints on academic resources are severe and unprecedented – but they are not terminal. However, current proposals for rationalisation will have a corrosive effect, and may inflict lasting damage.

Universities occupy the pinnacle of our educational system. They also probe and test our understanding of nature and every other aspect of the human condition – including pointing to ways we may exploit knowledge for economic benefit.

Dialogue and mutual stimulation is important in all this, and so size is a factor in determining a university department's effectiveness. A certain critical mass is essential, but in these days of efficient communication and travel, it is not as important as it was.

As departments increase in size, another factor becomes important. If universities appointed their staff exclusively for their individuality, larger departments would be expected to exhibit a greater diversity than their smaller counterparts.

Although this approach was customary a few decades ago, nowadays academics are increasingly being appointed for their specific expertise. In my experience of universities in the UK and elsewhere, the larger the department, the greater the fragmentation.

As an illustration: one large physics department has nearly 70 academic staff, but they are spread evenly between five groups in loose confederation – nuclear fusion, opto-electronics, low temperature, nuclear and elementary particle, and theoretical physics. Each is autonomous, and the physicists in each group have more in common with their sub-disciplinary colleagues in other universities and institutes than their own. Similar fragmentation can be found in all other disciplines of science and engineering.

For the important growth fields commanding international attention, such as super conductivity and biotechnology, it is indeed important to concentrate resources in order to compete with the heavy battalions. But warm-superconductivity will not be the last treasure extracted from nature's storehouse.

There is so much we do not know; the route to these new and unpredictable discoveries lies in fostering diversity. Our smaller departments can make a significant contribution by challenging the text books, asking new questions and seeking new perspectives.

These crucial activities are not affected by economies of scale. They can be the route to stimulating new investment from industry and Government; they can fire the imagination of young people.

Rationalisation may be a short term expedient, but it will lead to stagnation in the longer term.

Donald Braben,
Head of Venture Research,
BP International,
Britannic House,
Moor Lane, EC2

Soviet Union is not dependent on western technologies

From Mr Kevin Cahill.

Sir, In his letter to you (October 31) Dr Stephen Bryen made a number of assertions which are factually incorrect, as well as promoting a very dangerous misconception about Soviet technology.

The Soviet Union is visibly self-sufficient in military technology – witness the titanium-hulled Typhoon submarine and, more recently, the Mig 29 at the Farnborough airshow. Those machines were designed and produced using supercomputers (scientific processors), which were filmed *in situ* and in operation by Channel 4's *Dispatches* (November 2 1988).

There is no evidence to suggest that these machines were in any way dependent on western technology, rather the opposite; and the Asumer report suggests that there are more scientific processors in place in the Soviet Union than in the whole of the West.

There is a reasonable level of computer and microprocessor production established in the eastern bloc, as those of your readers and correspondents who visit either the Leipzig or Hanover fairs will readily attest. Like the rest of eastern bloc industry, the information technology sector is hampered by centralised controls and planning. But it does exist, and it has long been a producer of 32-bit computers, if not in the quantities needed to make the Soviet and Comecon economies more efficient.

Again, the Channel 4 team filmed a range of personal and school micros in a large Moscow computer store.

Dr Bryen implies that the West should sell no computers into the eastern bloc economies. But the US, in the latest year for which figures are available, issued export licences for a total of $3.6bn worth of computers to be exported to the eastern bloc and China. That figure points to serious hypocrisy in Dr Bryen's position, because he claims to have been in personal charge of licensing high tech to the eastern bloc.

But to spread abroad in the West the idea that a potential military adversary is deficient in technologies, or is critically dependent on the West for key technologies, when it is not, is tantamount to operating as a fifth columnist. The appropriate officials in the western nations do not support Dr Bryen's specific assertions as to dependency, either.

Kevin Cahill,
121 Clare Court,
Judd Street, WC1

Staff federation exists only by permission of GCHQ management

From Mr P.D. Jones.

Sir, Mr Brian Moore (Letters, October 27) has the effrontery to allege that "there is no union ban at Government Communications headquarters (GCHQ)."

If this were the case, one wonders why four of his colleagues have been sacked for belonging to a trade union; and why the civil service unions have balloted for a one-day strike which may take place today, November 7, which the Trades Union Congress (TUC) has designated "GCHQ" day.

Mr Moore also alleges that the Government Communications staff federation (GCSF) is a "trade union". It is certainly listed as such by the certification officer – but so are many other management-inspired organisations of similar feebleness. It is very significant, however, that GCSF has never sought listing as an *independent* trade union.

The reason for this is quite clear. GCSF only exists as a creature of GCHQ management. As GCHQ staff were notified in 1984: ". . . it will be a condition of service that GCHQ staff will not be permitted to be members of trade unions other than a departmental staff association approved by the Director GCHQ."

Mr Moore also alleges that the staff federation does not have a "no-strike agreement". He obviously overlooks the other condition imposed on GCHQ staff in 1984: "In future, disciplinary action may be taken against anyone involved in industrial action."

The fact of the matter is that the GCSF is a "sweetheart association" whose only function is to operate within GCHQ, at the whim of the Director.

The tragedy for GCHQ staff is that they remain members of the non-industrial civil service, and that most of their conditions of employment are still negotiated by the Council of Civil Service Unions (CCSU).

The staff federation, of course, has no access to the CCSU; GCHQ staff can have no say in the determination of important conditions of employment. GCSF is merely posturing when it says it is a "trade union", and that "its sole aim is to represent, independently, effectively and democratically, the interests of members employed by GCHQ."

The fact of the matter is that it can do none of these things.

P.D. Jones,
Secretary, CCSU,
58 Rochester Row, SW1

FINANCIAL TIMES

Monday November 7 1988

Janet Bush on Wall Street

Frustration of banking on reform

IT IS NO minor event when the Democratic and Republican leaders of one of the most influential Congressional committees suggest that the legislative branch of government should be overridden by the administrative arm.

This is exactly what Senator William Proxmire, retiring chairman of the Senate Banking Committee, and Senator Jake Garn, ranking republican on the committee, did last week.

Frustrated by the collapse of their committee's Herculean efforts to secure reform of the 1933 Glass-Steagall Act during the 100th Congress (against opposition from various House committees), they wrote to Mr Alan Greenspan, Fed chairman, recommending that the central bank authorise wider securities underwriting powers for US commercial banks.

The tone of their letter tells its own story of frustration that Congress has yet again failed to enact legislation which would break down the increasingly archaic separation between investment and commercial banking.

Senator Proxmire, in a separate letter also dated November 2, reverses an earlier position and specifically endorses the Fed's right in law to permit "bank holding companies to underwrite and deal in ineligible securities on a principally-engaged theory."

He refers to Section 20 of the Glass-Steagall Act which has provided banks with a fruitful loophole.

The most likely course of events is that banks will win wider securities powers by applying directly under Section 20 to the Fed. Congress doesn't reconvene until January and even then there are more pressing problems.

Notable among these, and Senator Proxmire specifically cited this in his letter to the Fed, is the savings and loan crisis which will have to be treated as a priority after a year of sweeping the problem under the carpet.

As soon as Congress broke up last month, with an impasse between practically everybody involved in banking reform, the Fed received an avalanche of applications for wider powers from big commercial banks and more will be filed within the next two weeks.

Pretty well everything favours these applications. The Fed, through a series of court cases over the last two years, has established its authority to give wider powers. After the Supreme Court earlier this year decided not to rule on an appeal against the Fed's granting of wider powers by the Securities Industry Association, there is a feeling that the SIA will be reluctant to fight any further Fed initiative through the courts.

The Board is known to favour deregulation, not least because it feels US banks must be allowed to compete on equal terms with their overseas counterparts.

A spokesman for one of the banks in the race for wider powers puts his case forcefully: "We are already able to compete in all major financial centres in the world except at home, where the oligopoly continues to benefit a few investment banks. This is bad public policy which deprives the public of the benefits of proper competition."

A number of top Fed officials have expressed their support for wider powers, even equity underwriting, although the commercial banks have acknowledged in their filing of separate applications that it may take longer to acquire equities powers than permission to underwrite debt.

There have been some broad hints from the Fed that it would consider raising the 5 per cent limit on the proportion of a bank's business devoted to securities activity to 10 per cent, a move which would open the field considerably.

There is some reluctance among commercial banks to push ahead too aggressively and potentially alienate those pockets in Congress which oppose them.

Progress towards deregulation, however, seems inescapable.

A spokesman for Chase Manhattan said: "The Fed wants deregulation. They are for it. US banks are falling behind relative to other systems and it is inevitable that brokerage services, banking, insurance and the rest will eventually be homogenised worldwide and everyone will be on an equal footing."

Congress has done very little on Glass-Steagall for more than 40 years: another year or so will not make much difference.

Fortress Europe casts its shadow

William Dawkins reports on non-EC companies' fear of exclusion

HOW do requirements for becoming a European Community company differ from those for becoming a foreign business in an EC country? Extraordinarily, there is no definitive answer.

The EC is starting to contemplate the distinction, but fears are growing from Texas to Tokyo that the outcome will make it harder for non-EC companies to share in the wealth promised by the single market. Also at stake are several hundred Eastern European businesses with joint ventures in the EC, tentatively hoping 1992 will complete the EC's response to the rapprochement started by glasnost.

The privileges that go with being a fully registered company in the EC are not to be sniffed at, especially when the European Commission is warning it does not plan to open all sectors of the internal market to foreign competition with reciprocity. Under Community rules, no member-state is allowed to restrict EC-established companies' liberty to open new subsidiaries or branches elsewhere in the Community, nor their freedom to sell across internal Community borders.

At present, different types of companies have to go through different hoops to set up in France, West Germany or the UK, then through more hoops to do business there. This is both problem and blessing for US and Japanese companies busy buying their way into the EC club. All they have to do is choose a base where they are welcome, and from where they should be able to sell freely across Europe.

But this could end. The Commission is in the early stages of developing a Community-wide policy on just what conditions non-EC companies should fulfil to do business in the EC and what – if any – market openings their governments should offer the Community in return. The outcome is uncertain. Senior Commission officials have started a debate on the issue, prompted by an internal paper from the Commission's legal service, floating the idea of common EC rules for the establishment of non-Community companies.

US companies, particularly, are worried about discrimination, especially any demands for reciprocal market access. Alarm bells rang in Washington when the Commission included for the first time rules on reciprocity in a draft directive on banking published last January. The fear is that Brussels might try to apply such requirements more widely through a general rule of EC establishment for foreign companies.

The prospect of this occurring is a long way off. But anxious US and Japanese corporate representatives are starting to lobby the Brussels executive. "What we are talking about is the role non-EC industry will have in the internal market," a Brussels legal adviser to an American multinational says.

The issue is likely to be carried through by the next Commission, which starts in January. It matters most to two kinds of business: those operating in regulated sectors, like banking where EC rules of professional soundness will have to be observed – on top of establishment requirements – as the price for entry to the single market; and those operating in sectors where establishment in the Community is a way round EC or bilateral import quotas.

The EC's present rules on company establishment are skimpy. In fact they have "an appalling weakness" in the eyes of one senior Commission adviser in that it is too easy for companies to get the privileges of club membership by doing little more than register with a friendly national authority, irrespective of who owns the company or where its main market really is.

Article 58 of the Treaty of Rome, the EC's constitution, gives free market access across the Community to "companies or firms formed in accordance with the law of a member-state and having their registered office, central administration or principal place of business within the Community". A report by the Commission's legal services division concerns the interpretation of this Article in the light of 1992-type challenges never envisaged when the Rome Treaty was written.

Clearly, foreign companies cannot become established in any country until they first get the consent of the government of that member-state. Yet EC governments take very different views of whether companies should fulfil all, some, or just one of Article 58's conditions.

France would like to apply all the conditions at once, and tends to insist on no establishment without a real business. Most other Continental European governments apply variously tough lines. Paris has never liked Article 58 and tried unsuccessfully during the 1957 negotiations over the writing of that part of the treaty to insert a clause excluding companies with large non-EC shareholdings.

That contrasts with the views of the UK, the Netherlands and Luxembourg. These ask for no more than a registered office as a condition of establishment and are less concerned over how much business the companies concerned do in their own or other member-states. Accordingly, they are popular havens for non-EC companies.

Significant opinion within the Commission suspects Britain and Holland are the EC's softest countries in terms of access to markets in more regulated member-states. One option in the Commission's legal services' report would be to harmonise national company establishment rules around tough French requirements. If such a directive were drafted, there would be an understandable temptation for the Commission to insert some kind of general reciprocity test for new companies – even if only held as a weapon in reserve for future trade wars.

This would provoke a storm from the EC's major trading partners, already anxious at the prospect of the single market becoming a European fortress, despite the Commission's efforts to persuade them it will do no more than defend the EC's legitimate interests in the run-up to 1992.

The Commission has said that it will tackle reciprocity case-by-case and member-states – which will make the decisions on these issues – have not yet made up their minds on the scene-setting banking directive.

Brussels has emphasised it that it will ask for reciprocal access only when it produces directives in areas not yet covered by the General Agreement on Tariffs and Trade, like financial services, energy, telecommunications, transport and water. A recent Commission paper on external trade policy promises to restrict reciprocity tests to new businesses, rather than try to apply it retroactively to existing ones.

That gives little comfort to foreign companies which may want to operate in new sectors not covered by Gatt rules or, more importantly, to existing EC-established financial services groups considering setting up companies to follow new lines of business. Take banking: once the directive is adopted by member-states, any company passing the reciprocity and other conditions presumably has the right to get established in the Community.

But it is unclear what happens if a bank registered as a bone fide EC resident under the banking directive wants to set up a new company doing insurance or leasing. Does it have to pass the reciprocity test again, or can it rely on its status as an EC company under Article 58 to guarantee it the rights and privileges of its Community-owned counterparts? Or could this bank run into new barriers if the Commission persuades member-states to accept an ultra-restrictive reading of Article 58?

American Express is one example of an organisation that could find itself in that vulnerable situation. "I don't see any basis in a law that discriminates between new and old," says Mr Harry Freeman, executive vice-president. "If you form a new company in the EC, it shouldn't matter who your parent is. In the world of the 1990s, blocking off your market to the outside is absolutely crazy."

Whether Mr Freeman's fears will be confirmed is open to question. But the Commission has started the process that must lead to an answer.

THE LEX COLUMN

Paris cuts its own cloth

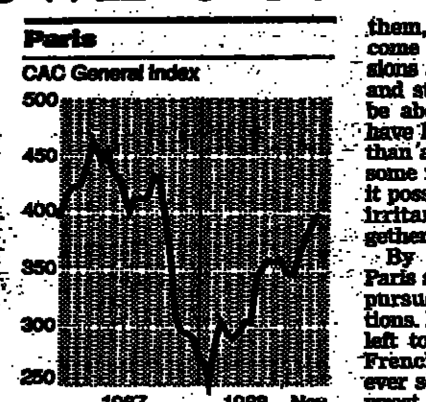
As a playground for corporate personalities, Paris must already be close to achieving its ambition to become the pre-eminent Continental European bourse. Only in Milan is so much fun to be had by so few, as the anonymous personalities on the Société Générale share register could no doubt attest.

However, the bourse's plans for securing a place in the European sun – and ensuring that Paris gets its fair share of global investment – are far more serious than that. Personality and politics may still do more to move a Gallic index than an Anglo-Saxon one; but in the past 2½ years the Paris financial community has gone to great lengths to drag the bourse towards a more professional future. The temptation to read "Anglo-Saxon" for "professional" should probably be resisted, though, as Paris clearly has no intention of becoming merely a clone of London. One look at the dismal profitability of London market-makers has left the French with a healthy scepticism towards received wisdom from across the Channel: they aim for a hybrid market which draws strength from both traditions.

By the middle of next year, many if not most of the peculiarly French handicaps of the past will have been removed. The brokers' monopoly has gone already; and French and foreign banks and securities houses have demonstrated their faith in the market's future by laying out handsome sums of money for the privilege of controlling much of the broking profession. With the help of stock options and futures markets, investors can pursue a wholly more sophisticated approach to making money than in the bad old days of just one shallow, illiquid central market. Fortress France is being dismantled in favour of Fortress Europe, and beyond.

Competition from London

For all that, London is still transacting a disproportionate amount of Parisian business – for the simple reason that the Stock Exchange has what the bourse still lacks: market-makers. Markets are made in 26 of the most active French stocks in London, with the UK accounting for as much as 20 per cent of trading in those shares under certain circumstances. It does not take a mind trained in Cartesian logic to understand why the bourse authorities might like to see



that business repatriated to its natural home.

The changes in prospect over the next eight months should ensure that the authorities begin to get their way. Under the current system, brokers match up buyer and seller but seldom act on their own account. For small and medium-sized deals, this method works perfectly well; the 3m-odd small investors who lashed out on four Paribas shares each in last year'sprivatisation can have little reason to fault it.

However, a fair amount of Gallic skill is required to put through larger trades without disturbing the market's delicate digestion. For while buyer and seller may agree a deal through a broker, they cannot do it at a price of their choosing; the fundamental principle of equal treatment for wholesale and retail investors means that the wider market must be offered a piece of the action first. By controlling the flow of stock, deals can still be done at attractive prices. But they can take 48 hours or even more to complete; and the prospect of sleeping on a deal before it is done can give the larger investor nightmares.

Impatient investors

So to placate the impatient institutional investor, enter market-making *à la française*. Régis Rousselle, the new bourse chairman, sketches a hybrid model of the market involving centralised screen-based dealings in virtually all stocks through the "CAC" system, while market-makers act as principals on the fringes of the market to add the liquidity which the CAC system lacks. New prudential ratios will be introduced to ensure that brokers have the wherewithal to risk this kind of activity; and given the number that are risking it already without the benefit of much capital behind them, the new rules cannot come too soon. Fixed commissions are expected to be ended and stamp duty will hopefully be abolished: but fixed tariffs have long been more a concept than a reality in any case; and some firms are already finding it possible to dispense with the irritant of stamp duty altogether.

By July next year, then, Paris should be in a position to pursue its Continental ambitions. London, it seems, is to be left to its own devices: if the French financial community ever seriously thought it could wrest command of the European time zone away from London, it certainly does not think so now. And while arbitrage between regulatory systems at a European level could well mean that a Greek or a Portuguese market might have its libertarian attractions, business will not naturally gravitate to those markets unless the practical and cultural obstacles they present are cleared away as well.

Paris sells itself

Paris will no doubt try to sell itself as a more or less professional market, with modern dealing systems and (eventually) modern settlement procedures. But the real attraction for the discerning foreigner will be the prospect of corporate activity on a scale which would be unimaginable on any other Continental bourse – just what has inspired the market for most of this year already.

However, when faced with the prospect of takeovers, the authorities have so far shown a distressing tendency to make up the rules as they go along. Investors remain free to entertain their friends to the concert party of their choosing; and while disclosure of large share stakes is required in principle, the ludicrously low level of the fine for non-disclosure does not exactly promote compliance. And Mr Georges Pebereau's attempts to re-draw the Société Générale share register, with tacit or active approval from the government, make it hard to believe that the state has quite given up the idea of meddling where it is not welcome.

The frantic corporate activity of the past year seems to have provoked not only the government but the heavies of the industrial and financial establishment in France to wonder whether things have gone too far on the corporate playground. Those who have grand ambitions for Paris had better hope they do not get cold feet now.

Sri Lanka faces renewed violence

By David Housego in Colombo

THE survival of democracy in Sri Lanka will be tested severely this week as evidence mounts that the extremist Sinhalese People's Liberation Movement (JVP) intends to intensify its campaign of violence aimed at preventing next month's presidential elections.

Through street posters and leaflets handed out over the weekend, the JVP has called on shops to remain closed today, on pain of death for those who disobey.

Senior ministers said they expected the JVP to step up its campaign of intimidation over the coming days before Thursday's closing date for nominations for the presidential elections, by disrupting public services, carrying out political killings and forcing a general strike.

Marking the new gravity of the situation, the Government broadcast a statement last night calling on Sri Lankans to stand up to the violence.

Mrs Bandaranaike: campaign in jeopardy

For the first time it accused the JVP, which in recent months has substantially extended its support among discontented youth, of attempting an armed takeover of the country and of seeking to deprive people of their vote.

President Junius Jayawardene separately called on people to unite and oppose the terrorism he described as now prevalent in the country.

At the same time, the Government announced that schools would remain closed today, having earlier announced that they would reopen after a long closure.

The further deterioration of the situation has come with the weekend decision of the JVP to call on the main opposition party, the Sri Lankan *Freedom Party (SLFP) of Mrs* Sirimavo Bandaranaike, to boycott the presidential elections.

Until the weekend, the JVP had been seeking an electoral alliance with the SLFP. Mrs Bandaranaike's party now faces the prospect that the JVP will use violence to disrupt her campaign, thus robbing her of a possible victory or invalidating the result of the presidential election because too many people are afraid to vote.

The JVP, a former Marxist movement which has been exploiting anti-Indian and Sinhalese sentiments, distributed pamphlets in Colombo on Friday calling on "patriotic" elements in the armed forces to join a popular uprising against the Government, if its terms for election were not met.

These include the immediate resignation of the President, the dissolution of the National Assembly and the establishment of a caretaker adminis*tration under a Supreme Court* judge.

The JVP has been pressing for general elections – in which it believes it could capture a block of seats in Parliament – to precede presidential elections, in which it is a marginal player.

The President met Mrs Bandaranaike over the weekend, in an attempt to forge an alliance against terrorism.

Gandhi prepares for early poll, Page 4

Rabin move threatens Labour Party unity

By Andrew Whitley in Jerusalem

ISRAEL'S Labour Party faces the threat of being split down the middle after a weekend declaration by Mr Yitzhak Rabin, Defence Minister in the outgoing national unity Government, that he favours joining a broad coalition likely to be headed by the Likud.

Mr Rabin's declaration transforms the coalition-building negotiations under way since last Tuesday's general election. With the balance of power in the hands of four religious parties, most politicians had resigned themselves to the likelihood of a religious-nationalist coalition.

The prospect of Labour joining Likud again would eliminate the need for the support of the ultra-Orthodox religious parties. But Mr Shimon Peres, Labour's leader, and much of the party's left would undoubtedly revolt against being the Likud's junior partner.

At yesterday's first Cabinet meeting of the caretaker government led by Mr Yitzhak Shamir – who is required to remain in office until a new government is sworn in – Mr Rabin clashed angrily with Mr Ariel Sharon, Industry and Trade Minister.

A controversial figure even within the Likud, Mr Sharon is pushing hard to regain the defence portfolio he was forced to abandon five years ago.

Mr Rabin, Prime Minister between 1974 and 1977, is the acknowledged leader of the hawkish wing of the centre-left Labour Alignment. Equally important, he is also a long-standing rival of Mr Shimon Peres, whose leadership is coming under increasing attack after the party's setback at the polls.

Another weekend development which could swing the odds back in Labour's favour was a signal from the largest ultra-Orthodox party, Shas, that it was contemplating ending its allegiance to Likud.

Labour is said to have offered Shas at least four ministries in any government it is able to form.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	12	54	Malta	S	19	66	Rhodes	S	18	64
Algiers	S	23	73	Edinburgh	C	08	46	Manchester	S	07	45	Rio de J'o	R	21	70
Amsterdam	C	08	46	Faro	A	19	66	Manila	C	31	88	Rome	F	12	54
Athens	C	10	50	Florence	S	08	46	Melbourne	S	18	64	Salzburg	S	08	46
Bahrain	C	32	89	Frankfurt	F	07	45	Mexico City	–	–	–	San Francisco	F	24	75
Bangkok	F	30	86	Funchal	F	20	68	Miami	F	31	88	Seoul	F	15	59
Barcelona	S	17	63	Geneva	F	09	48	Milan	S	07	45	Singapore	R	31	88
Beirut	F	25	77	Gibraltar	C	18	64	Montreal	C	19	66	Stockholm	F	02	36
Belfast	C	08	46	Glasgow	C	08	46	Moscow	F	03	37	Strasbourg	S	07	45
Belgrade	C	07	45	Guernsey	S	11	52	Munich	S	08	46	Sydney	F	20	68
Berlin	C	07	45	Helsinki	C	05	41	Nairobi	R	25	77	Taipei	F	24	75
Biarritz	S	18	64	H. Kong	F	24	75	Naples	S	13	55	Tangier	F	24	75
Bombay	S	32	90	Innsbruck	S	06	43	Nassau	C	31	88	Tel Aviv	F	24	75
Bordeaux	S	16	61	Inverness	C	10	50	New Delhi	F	30	85	Tenerife	F	23	73
Brussels	C	05	41	Islamabad	F	29	85	New York	C	17	63	Tokyo	F	17	63
Budapest	C	02	36	Istanbul	R	13	55	Nice	C	13	55	Toronto	R	14	57
B. Aires	F	31	87	Jakarta	R	32	90	Nicosia	–	–	–	Tunis	G	17	63
Cairo	F	25	77	Jersey	S	12	54	Oporto	F	22	72	Valencia	C	16	61
Cape Town	S	25	77	Jo'burg	F	26	79	Oslo	F	06	43	Venice	S	07	45
Caracas	F	24	75	Lima	F	21	70	Paris	F	10	50	Vienna	C	01	34
Casablanca	C	26	79	Lisbon	C	20	68	Peking	F	19	66	Warsaw	F	03	37
Chicago	C	08	46	London	F	11	52	Prague	S	03	37	Washington	S	09	48
Cologne	S	05	41	Los Angeles	C	27	81	Reykjavik	R	06	43	Zurich	Fg	03	37
Copenhagen	C	05	41	Luxembourg	S	04	39								
Corfu	F	13	55	Madrid	C	15	59								
Dallas	S	08	46	Majorca	F	19	66								
Dublin	C	11	52	Malaga	F	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Solidarity calls protests

Continued from Page 1

day, even though the authorities later renewed efforts to coax Mr Walesa to the table.

Mr Onyszkiewicz, the Solidarity spokesman, yesterday denied that his movement's latest statement amounted to a call for national strikes but rather a month of action during which supporters would stage any protests they felt strong enough to sustain, including stoppages.

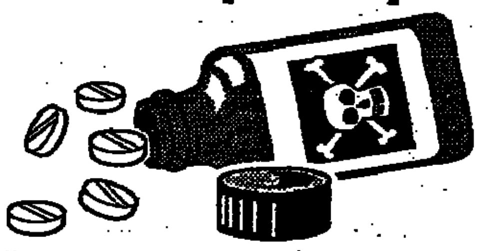
The Polish Government has been arguing that the Lenin yard is being closed on economic grounds, but Solidarity, the official unions at the yard and the management have all attacked the decision, saying that the yard has fallen victim to a purely political decision.

The authorities, who are presenting the closure as proof of their determination to restructure Polish industry, have already given some ground and announced that the liquidation of the yard, which is working on 19 vessels, worth some $150m (for the West) and Rbls 600m (for the East bloc), will take 18 months.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday November 7 1988

INSIDE

Bond investors doubt value of 'poison puts'

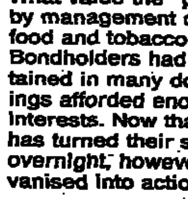


What value the "poison put" after the decision by management of RJR Nabisco to take the US food and tobacco group private for $20.7bn? Bondholders had thought the provision contained in many domestic and Eurobond offerings afforded enough protection for their interests. Now that the leveraged buy-out plan has turned their securities into junk bonds overnight, however, investors have been galvanised into action. Page 26

Lonrho chief rebuffs Bond

Mr Tiny Rowland, chief executive of Lonrho, has turned down a request from the Australian entrepreneur, Mr Alan Bond, to discuss the future of the the UK-based international trading and mining group. Mr Bond, who controls 20 per cent of Lonrho, last week sold major stakes in M&G, the UK unit trust group, and Standard Chartered Bank, fuelling speculation that he was preparing a full bid for Mr Rowland's company. Page 30

Aurora sees takeover threat rise in the east



Never glad confident morning again for Aurora, the UK engineering group which has made a copybook recovery from the recession of the early 1980s, only to be faced now with a £138m takeover bid from Australian National Industries. The bidder holds 41 per cent of Aurora, after buying a large stake from the UK investment group Electra, and expects its offer to succeed. The main remaining question appears to be whether Aurora will be able to force a higher price out of ANI. Page 30

UK fillip for index funds

A World Index fund launched by BZWIM, investment management arm of Barclays de Zoete Wedd, has pulled in £140m ($249m) from UK pension funds, confirming the rapid growth in popularity of index-tracking techniques among investment institutions. Page 28

Market Statistics

Companies in this section

Sears searches for a towering ego with pockets to match

Deborah Hargreaves finds Chicago up in the air about the future of its most famous landmark

THE PLANNED sale of the Sears Tower, the world's tallest building and Chicago's most famous landmark, has triggered a carnival of speculation about what may turn out to be the world's largest real estate transaction.

Sears, Roebuck, the beleaguered US retailer and financial services group which announced the sale of its 110-storey headquarters as part of a major corporate restructuring, is staying aloof from the round of wacky bids it has received.

With an estimated sale price of more than $1bn, the building is a "huge ego buy. . . and real estate people have huge egos," says one broker. That has sparked a round of innovative ideas among the Chicago real estate community.

The Chicago real estate brokerage, Parkway Realty, for example, has offered $1bn for the building with plans to create "the world's largest limited partnership" of Sears credit card holders. The firm said it would raise the cash by persuading 500,000 holders of the Sears and Discover credit cards to invest $2,000 each in the Tower.

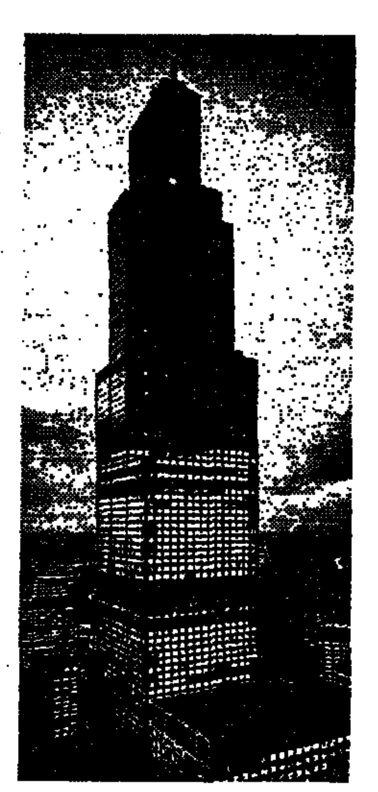
Sears, however, says it knows the few investors who can afford such a trophy and will be directing a "serious" marketing campaign at them. "We've had a number of these inquiries, but they are really irrelevant," the company says, refusing to dignify many of the schemes even by describing them. "We know who the serious investors are, and they know it too."

The austere grey aluminium and dark glass Sears Tower has cast its intimidating glare over the Windy City and much of the prairie beyond for the past 14 years.

In 1974, it was constructed as an icon to corporate pride, when Sears was at its peak. But, facing a changed environment, Sears announced last week it would sell the building to buy back 10 per cent of its shares amid fervent Wall Street speculation that the company was a takeover target.

Mr Ed Brennan, Sears chairman, said he was aware of the concern the sale of the building would cause. However, it was a "prudent time to sell" in order to gain revenue to expand the stagnant company.

While Sears plans to retain the building as its headquarters, it will move out the 8,000 staff of its core merchandise group to a less costly location. City authorities are scurrying to help Sears keep those jobs in Chicago.



The Sears Tower, world's tallest building, faces winds of change

Back in 1974, the construction of the Tower – complete with steel beam signed by 11,000 employees – revitalised a run-down area of Chicago's downtown Loop. The area had been the city's garment district with a huddle of low-rent, low-rise loft buildings.

"The Tower upgraded the whole area and turned Wacker Drive into a prime business address," recalls Mr Bill Brown, chairman of the Chicago real estate broker Rubloff.

Located on the windiest corner of the Windy City, the building's management erects chains outside the Tower every winter for pedestrians to cling to as they are buffeted by winds which routinely reach 40 mph, and often gust much higher. Every year, many of the Tower's 16,000 windows are blown out in high winds.

The building is not universally popular in Chicago and is positively hated by many company employees, who were moved from a sprawling headquarters in the middle of a West Side ghetto. In Mr Donald Katz's controversial book on Sears, The Big Store, he suggests the company's deterioration can be traced back to its move into the flashy Tower.

Now a chastened Mr Brennan is even looking at moving the merchandise employees back to their old headquarters, which, by the time they left, had become so dangerous Sears was employing the third largest police force in Illinois.

Local brokers are looking to the cash-rich Japanese as possible buyers for the prestige Tower. The Japanese have been major investors in the booming Chicago property market in recent years with the Kato Kagaku group paying $260m for Chicago's Hyatt Regency hotel in August.

However, any approach by a foreign investor about such a prominent building is likely to be through a joint venture with a US firm in order to avoid any "buying-up-America" hostility.

"It's difficult to speculate who might be interested," muses Mr Brown. "It's such a unique building that it's uniqueness could put people off. . . it's putting all your investment eggs in one basket."

Mr Brown also points out that the Tower will be partly empty after Sears moves out its merchandise group and a buyer would have to rent more than 1m sq ft of prime office space at a going rate of $30 per sq ft in what is currently a fairly soft rental market. "That could depress the price a little," he considers.

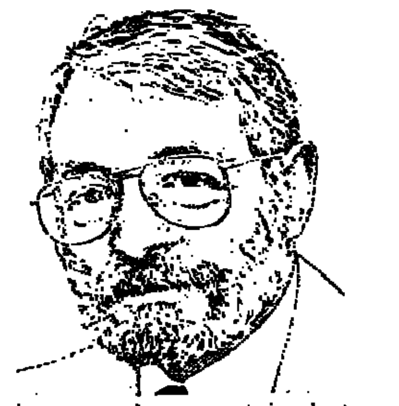
Local commentators have touted Japan's Seibu Saison group, Tokyo's major retailer, as a possible buyer for the Tower. The company already has an informal corporate link with Sears, but has recently shelled out $2.3bn for the Intercontinental hotel chain.

Sears would hope to keep its name on the building, although the retailer is not likely to make this a condition of sale. Mr Brennan pointed out that it is quite usual for buildings to be named after the major corporations which occupy, but don't own them.

The company sees the sale as a sign of changing times. When it moved to the Tower, there were plans to fill each floor with employees – to make a total of 13,000 – before the end of the century. But the retailer will now be left with a tiny bastion of 600 staff clinging to the top of the monolithic structure.

A landslide for evading the issues

Anthony Harris
in Washington



THIS HAS been widely denounced as a campaign of sound-bites – short and largely empty slogans, scripted for television reports. The result has been that there have been no substantial issues for a commentator to sink his teeth into; I find myself reduced to what might be called word-bites, signs of the American mood which may say something about the next four years.

Bite 1: The Nevada alternative.

It is said that in the state of Nevada there is an extra line at the top of the ballot; after listing the presidential candidates (including the forgotten fringe candidates), the voter is offered a line which reads: "None of the above."

This has aroused the envy of quite a few of the people who ring up phone-in programmes; and the opinion polls suggest that the Nevada alternative would win in a landslide this year. One caller suggested an amendment to the Constitution: if there was a majority against both candidates, the parties would have to re-run the whole election with new candidates. This was not popular: the distaste most voters feel for the whole election process is even greater than their distaste for the candidates.

All the same, this mood has important implications. One is that the present system of primary elections for the Presidency may come under attack. It bores the voters, and they have little faith in a process which delivers such weak candidates - partly because better men will not submit to its indignities. The old smoke-filled room in which a candidate was picked by the professionals is back in fashion.

The more immediate effect of this disillusion is that the power of the White House may be still further undermined. The winner tomorrow will lack a mandate not only in the sense implied by most commentators in 1988 – the lack of any strategic proposals on either side – but because he will probably have the support of the lowest percentage of the potential vote for a very long time.

A popular President can make up policy as he goes along – the whole New Deal was devised in this way. The next President will only get this power if the process of détente or the economy run into really bad trouble.

There is little sign of this at the moment in the economy, which continues to produce numbers which suggest a soft landing, or between the super-powers. Latin American debt does look more threatening – but even here the brinkmanship of the commercial banks continues to offer last-minute accommodations.

Bite 2: A bet on the Hill.

The crisis best beloved of outside commentators is, of course, the federal deficit; but the candidates were not simply being evasive when they refused to confront it as a crisis. They were speaking here for the electorate and, indeed, the professionals.

If you believe in the rule of laws, of course, it is hard to see what the problem is. The National Economic Commission, the group which is supposed to be mapping a way out of the problem, has adopted the telephone number 789-1993: the last four numbers are the year in which the deficit disappears.

Some people who should know seem to have a different view. The other day two men who have retired from the two posts most closely concerned with the deficit ran into each other on Capitol Hill: one was head of the Office of Management and Budget, which produces the Administration's numbers, the other head of the Congressional Budget Office, which keeps the legislators informed.

These two had a bet on 1993: would the deficit be more or less than $100bn? This may not be the law, but it is the present informed consensus. It will be hard enough, according to those who know the figures in detail, to keep the deficit on a downward path from its recently reported out-turn of $155bn for the fiscal year just ended. Apart from debt interest and entitlement programmes, the defence budget has large built-in growth, and Mr George Bush's handful of specifics on education and tax incentives have been costed at $40bn.

Does this matter? The answer is in the hands of two groups outside the political process: the financial markets and American consumers. The markets do not appear unduly naive about Gramm-Rudman, but will soon become restive if the other twin – the trade deficit – does not sustain a downward path too. That is in the hands of the consumers: their spending appears subdued at the moment (it is notable that the retail stores are not staffing up for a boom Christmas), but I know of no bets on how long that mood will last.

Bite 3: An invasive weed.

One of the odder sights in the open spaces in and around Washington at the moment is plant aggression. Men are to be seen tearing furiously at a rather pretty creeper which is rampant all over the south. It has vine-shaped leaves, Wedgwood-blue berries, and is called kudzu. Its botanical name ought to be *Xenophobia Americensis*.

I managed to get one of these attackers into conversation the other day, and he explained. "Damned foreign invader," he growled. "I hate it." The plant, introduced from Asia, is rapidly taking over waste sites and scrubland; it is fast-growing, invasive and generally a killer. One of the things it may be killing is that familiar pest, poison ivy, which is relatively hard to find these days, but kudzu wins no votes for that. Poison ivy is as American as apple pie.

The fear of foreign invasion, whether by immigration, trade or investment is very real, despite the failure of Congressman Richard Gephardt to win the Democratic nomination on this ticket. Mr Michael Dukakis has been having a depressing success in the closing days of the campaign by recycling Gephardt slogans (thus joining Mr Bush by trying to get to the White House by saying things which he does not believe). Another symptom is the appearance on several state ballots of a proposal to enforce English as the official US language.

This mood arouses widespread fears of US protectionism, especially in Japan, but these fears are probably misplaced. Both the candidates, and probably most of the Congress, understand that a country whose recovery is now led by exports could not benefit from a trade war. It means rather that the US will be ever more aggressive about other nations' trade restrictions, and about such issues as burden-sharing.

A strong President could ignore this mood, but a weak one may be tempted to play on it. The voters like détente, but they want America to stand tall. Attacking Asian allies for trade barriers and "craven" Europeans (Mrs Margaret Thatcher excepted) on anything from defence spending to banking law could satisfy the creeper-tearing mood. Untied bank loans to the Soviets are the popular target this week; and if the French make the same trouble for US-built Hondas as they have for British Nissans. . . .

You have been warned.

Economic Notebook

Capital freedom can hurt

IT IS difficult to recall that international investors were once objects of fear and mockery in Britain.

Pilloried in the 1960s as the "*Gnomes of Zurich*" for their irritating habit of bringing sterling to its knees, the managers of mobile capital are today extolled by Mr Nigel Lawson, the UK Chancellor, as a positive disciplinary force.

The £10bn ($17.7bn) budget surplus that Mr Lawson forecast last week for the present financial year has allowed him to "privatise" the problem caused by the dramatic increase in the current account balance of payments deficit to an estimated £13bn this year, from £2.5bn in 1987.

With the state clearly not the cause of the external deficit, Mr Lawson is pinning responsibility for correcting and financing the current account on the private sector, both at home and abroad.

Mr Lawson's forecast of a decline in the current deficit to £11bn in 1989 and his hope of further falls in later years depends crucially on the "active citizen" responding to monetary stringency and consuming imported goods less actively than before. In Mr Lawson's scheme, it is left to the international investor to finance the payments gap.

The international investor does not act out of altruism. In a world where barriers to free capital movements have tumbled, he or she is free to choose the country which offers the highest return and the soundest economic prospects.

As Mr Lawson said in his Mansion House speech last month, the scale of actual and potential capital flows disciplines countries to impose sound monetary and fiscal policies as well as choose regulatory and tax policies that encourage business success.

So persuasive is Mr Lawson that it comes as something as a shock to find that free capital movements, as aided and abetted by the active citizen and the international investor, are still viewed with suspicion and fear in some countries.

Italy is a case in point. Mr Marco Pagano, an Italian economist who has written extensively on financial markets, warned in London last week that plans to free capital movements in the European Community by 1992 could make it much more difficult for Italy, and possibly Belgium and Spain, to defend their parities in the European Monetary System against speculative attack.

Italy's problems are very different. The scale of its current account deficit is modest: the International Monetary Fund recently estimated that it could reach 0.3 per cent of gross national product compared with the Treasury's 2.75 per cent of gross domestic product now forecast for Britain in 1988 by the Treasury.

Much more worrying for Italy is the level of public debt. Figures quoted by Mr Pagano at a meeting organised by the Centre for Economic Policy Research put Italy's debt at 93 per cent of gross domestic product. That compared with around 40 per cent in Britain. The average residual maturity of Italy's debt is around 3½ years, with large quantities due to mature in 1990 and 1991, around the time that capital market liberalisation is due to take effect in the EC.

A high savings rate has helped Italy to run its large level of debt so far. But the planned introduction of free capital movements in the EC has already prompted concern in the Bank of Italy that diversification of only a small percentage of savers' funds out of the lire could force it to impose sky-high interest rates. If such tightening were to coincide with the Italian Treasury's need to replace maturing debt, the already heavily indebted Italian state would find itself having to pay punitive rates on its new borrowings.

Such a scenario could stretch to breaking point Italy's willingness or ability to stay in the EMS. It helps explain why Italy wants changes in the system. As Mr Lamberto Dini, the Bank of Italy's director general, told the European Parliament earlier this year: "Full capital mobility is not consistent with the present degree of monetary policy co-ordination in Europe."

Italy was one of the most enthusiastic backers of the EC summit decision in June to appoint a committee of central bank governors under the chairmanship of Mr Jacques Delors, EC Commission president, to study "concrete steps towards economic and monetary union" in the community.

That committee started work in September and meets again in the Bank for International Settlements in Basle tomorrow.

The discussions so far have mainly taken stock of earlier, failed efforts to move towards economic and monetary union. The serious work will probably start next year, nearer to the April deadline for producing a draft report for EC finance ministers.

But European central bank officials believe Italy's problems could be a barrier to the development of the EMS into a more cohesive European monetary area with a European central bank. If that proves to be the case, Britain could escape blame for obstructing this prestige EC project.

Peter Norman

THIS WEEK

TOMORROW'S US presidential election will dominate news in financial markets this week. Victory by Mr George Bush is seen as a near certainty by analysts but nerves will be on edge until the result is confirmed.

A surprise win by Mr Michael Dukakis – however improbable – would throw markets into shock, upsetting foreign exchange, bond and equity prices.

Even a convincing victory by Mr Bush is unlikely to allay fears about the effectiveness of future US policies in correcting the nation's huge current account and budget deficit.

The dollar is already looking vulnerable because of concern that the adjustment process – the ironing out of large current account imbalances between the US, Japan and West Germany – is grinding to a halt.

Economic statistics in the US include the producer prices index for October released on Thursday. This could give an early warning of possible movements in retail price inflation.

The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a 0.3 per cent rise compared with a 0.4 per cent rise in September.

Central bank governors and their officials gathered in Basle yesterday for their regular monthly meetings today and tomorrow on international financial affairs and European monetary union.

The main focus of their discussions, at least at an informal level, is thought to be the dollar and international monetary policy in the wake of the US elections.

In the UK, Treasury officials give evidence to the House of Commons Treasury and Civil Service select committee on Wednesday.

Questions are meant to be about last week's Autumn Statement which covered public spending as well as the economic outlook.

The Bank of England publishes its quarterly bulletin on Thursday.

Analysts will be looking for an insight into the policy intentions of the monetary authorities and about their assessment of the path the economy is following.

Figures for consumer credit and final figures for retail sales in September are released today. In recent months these figures have received more attention than usual with analysts looking for signs of a slowdown in consumer spending.

Last month analysts were surprised by provisional figures showing a 1 per cent fall in UK retail sales volumes in September. Most thought, however, that it was too early for the steep rise in interest rates since May to have had a big impact.

In West Germany, a batch of Bundesbank security repurchase agreements is due this week. No change in interest rates is expected.

Other events and statistics this week include:

Today European Community economics and finance ministers meet in Brussels. UK Confederation of British Industry conference begins in Torquay. Regional gross domestic product in 1987. US National Association of Purchasing Managers report on business in October

Tomorrow UK CBI conference continues. Treasury formally publishes Autumn statement. US 3-year Treasury note auction.

Wednesday US 10-year Treasury note auction.

Thursday UK provisional figures for vehicle production in October. US monthly monetary aggregates for October.

Friday UK usable steel production in October.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

British Steel springs standby facility surprise

IN A WEEK when the Bank of England told UK banks they would have until next June to comply with the full international standards of the Basle accord on bank capital, British Steel surprised bankers by launching one of the most aggressively priced standby financings this year.

The company has asked Barclays to arrange a £500m multi-option facility to be used by it after privatisation. Of this, £250m will be a committed standby credit with a five-year term, extendable at the banks' option to seven.

Barclays de Zoete Wedd, a financial adviser to British Steel on its privatisation, is syndicating the financing. The terms are by any standards tight: a maximum interest margin of 10 basis points, a utilisation fee of 2½ basis points and a 5 basis points underwriting fee for the committed element.

This means that a bank gets paid a fee of one-twentieth of one per cent per annum of the amount underwritten. Assuming, for the sake of argument, a bank agrees to underwrite £25m, its annual fee for doing this will be £12,500.

Under the Basle accord, such standby financings carry a 50 per cent weighting. This means that only half the 8 per cent capital normally required to be set against a loan has to be set against a standby. Nevertheless, for a commitment of £25m, banks would have to set £1m aside.

Clearly, when the facility is undrawn, the return to banks is miserable, even when usual front-end fees are included.

A 5 basis point underwriting fee has hardly been seen since the beginning of the year. Unlike a term loan, these standbys are almost impossible to sell on to others.

Yet, it is certain that other bids for the financing would have been only a basis point or two away – a mere £2,500 or £5,000 a year on a £25m commitment and not enough to swing the deal to profitability.

Banks will still join the deal, however, because they want to establish a link with a company establishing its first post-privatisation banking relationships. British Steel describes the finance as "the company's key bank financing for the years immediately after privatisation." This is why the deal will get done, despite bankers baulking about lending at such measly returns to a company, albeit one of the best, in a highly cyclical industry.

Chase Investment Bank, along with Svenska International, is arranging a $130m eight-year revolving credit for MoDo, the Swedish forest products group. Chase is also arranging a £200m five-year term loan for United Newspapers of Britain to free up an existing £200m multi-option facility which is almost fully drawn. The new loan pays a margin of 18¾ basis points.

The Bank of Greece is renegotiating a $375m eight-year loan arranged in 1986 carrying a ¾ point spread. Arab Banking Corporation, Bank of Tokyo, Citicorp, Irving and National Westminster are leading the deal, which will carry a ½ point margin. It has 5¼ years left to run, with an average life of about four years.

Portugal has asked banks to bid on a $700m facility, of which all or a part may be in the form of a syndicated loan, effectively to refinance existing debt with a ⅜ point margin which it is repaying.

Stephen Fidler

EUROMARKET TURNOVER ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	3,060.8	0.0	204.0	8,407.0
Prev	4,383.2	0.0	32.5	11,396.9
Other	1,966.0	33.1	501.0	1,115.9
Prev	2,350.4	37.7	751.6	2,199.0
Secondary Market				
US$	16,383.5	1,018.0	4,814.3	7,059.6
Prev	20,204.5	1,087.0	6,002.2	6,122.3
Other	16,281.3	1,269.4	4,606.5	24,696.2
Prev	16,784.0	1,271.5	5,343.4	28,338.6

	Cedel	Euroclear	Total
US$	11,441.7	29,505.5	40,947.2
Prev	12,955.5	36,273.1	49,228.6
Other	23,735.2	26,734.2	50,469.4
Prev	25,688.3	31,387.9	57,076.2

Week to November 3, 1988 Source: AIBD

INTERNATIONAL BONDS

Nabisco deal starts new scramble for 'poison puts'

AFTER YEARS of being ignored in takeover battles and leveraged buy-outs, bond holders have been galvanised into action by the decision of RJR Nabisco's management to take the company private.

The issue is not new. Since the first spate of LBOs hit the US market in 1984 and 1985, the matter has periodically worried bond investors. Indeed, over the past few years, a number of domestic and Eurobond offerings have contained "poison puts" to allow investors to recoup their funds if hefty new layers of debt are added to a company's balance sheet.

Poison puts would typically require the new merged company to refinance the tendered securities at a much higher interest rate, perhaps at a sufficient expense to discourage a potential bidder.

But up until now, bond buyers have not backed their words with action. When LBO-mania first hit the US, several portfolio managers tried to launch a boycott of issues which did not contain protective clauses. However, the effort came in the midst of a fantastic rally in US bond prices and investors abandoned their principles, anxious to board the ship before it left the dock.

The unprecedented scale of the latest transactions has opened up new vistas in bond holder anxiety. After all, if Nabisco can be bought out, is any company safe?

The company's A-rated bonds were immediately placed under review by the credit rating agencies, and were effectively turned into junk bonds overnight. The market price of the company's bonds plummeted. For instance, the spread on Nabisco's 8⅝ per cent bonds due 1995 soared to nearly 220 basis points above Treasuries, from 76 basis points before the LBO was announced.

Now, the scramble is on to find the magic phrase that, when inserted into a bond indenture, will protect bond holders if a takeover or LBO evolves. "Every firm representing underwriters is thinking about it," said a partner at one New York law firm. Yet, underwriters, borrowers and lawyers agree that finding the perfect armour is a daunting task.

Credit rating agencies are also feeling the heat from investors who took the official bond ratings at face value. The pressure is on for rating agencies to include in their criteria for top-flight ratings some protection for bond holders against so-called event risk.

Underwriters point out that if credit rating agencies assigned lower ratings to bonds without protective clauses for investors, the increased costs of financing would force borrowers to include them.

"We are actively considering several ways to communicate to investors the presence or absence of event risk in a company's bonds," said Ms Gail Hessol, a vice-president at Standard & Poor's in charge of rating US industrial companies.

Typically, poison puts in bond indentures require borrowers to redeem issues at par under certain circumstances, such as a hostile takeover. But that affords little comfort to bond holders of companies taken over in a "friendly" agreement. Many takeovers start out hostile only to end up friendly.

Some bond indentures offer the more vaguely worded option allowing investors to tender their bonds in the event of a change of control. But even if lawyers could agree on what constitutes a change in control, such a clause offers little protection in the case of a management buy-out where only the distribution of equity capital has changed.

One notable failure of protective covenants occured in a 1986 US bond offering by USG Corporation, then considered a takeover target. The underwriters persuaded USG to offer the bond holders the right to put the bonds back at par in the first year in the event of a change in corporate structure.

The company remained independent but, after the clause expired, announced a recapitalisation requiring hefty borrowings. Leverage soared and ratings plummeted.

Also, the type of covenant aimed at protecting bond holders actually may not be in the best interest of shareholders. "There is a certain moral hazard in these clauses," said an official at Deutsche Bank's New York offices who is studying the matter. After all, a takeover bid may well be in the best interests of shareholders and protective bond covenants may actually discourage it.

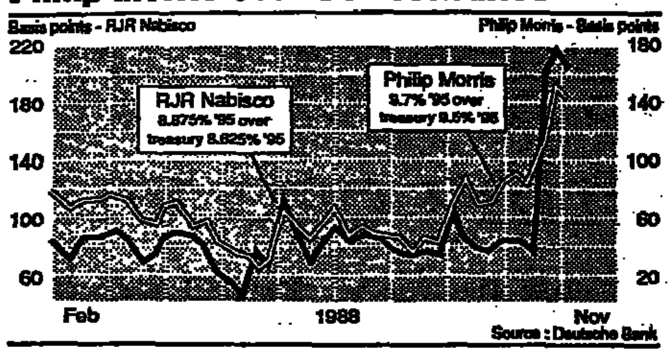
Most significantly, resistance to protective covenants for bond holders is likely to come from borrowers themselves, who view clauses such as poison puts as a severe restriction on flexibility.

One US firm's syndicate chief told of a client wanting to issue bonds without protection for bond holders. The cost of omitting the clauses for this borrower is 40 to 50 basis points more in interest expense, given the current mood of investors, and the borrower has postponed the financing plans. Conversely, some borrowers may decide that the flexibility afforded them by omitting the clauses is worth the extra interest expense.

Underwriters worry that if investors insist on the clauses, it may well discourage many borrowers from tapping the markets so often.

Norma Cohen

Yield comparison : RJR Nabisco and Philip Morris over US Treasuries



Source : Deutsche Bank

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Tobu Store◆◆	100	1992	4	5	100	Yamaichi Int. (Eur)	6.000
Frends BV(a)‡◆	120	1996	3½	80bp	100	Continental Illinois	-
Frends BV(b)‡◆	20	1996	5¾	350bp	100	Continental Illinois	-
Swedish Export Cr.◆	70	1989	1	8½	100.625	Morgan Stanley	7.612
General Elec.Cap.Corp◆	500	1993	5	9	101⅞	Goldman Sachs Int.	8.524
Nippon Oil Finance◆	100	1998	10	9½	102	Bankers Trust Int.	9.186
Mory Industries◆	50	1992	4	(5½)	100	Nomura Int.	★
OSG Corp.◆	30	1992	4	(5½)	100	New Japan Secs.	★
Honda Int. Finance◆	100	1993	5	9⅛	101⅜	Nomura Int.	8.774
Great Western Bank‡◆	250	1991	3	(m)	100	Merrill Lynch	-
ONGC of India◆	125	1993	5	9¾	101.65	CSFB	9.322
NatWest Cap.Corp.(k)◆	500	2003	15	9⅜	99.485	Merrill Lynch	9.683
CANADIAN DOLLARS							
Commerzbank Overseas◆	100	1992	4	10¼	101⅜	Commerzbank	9.701
Genossen'liche ZB(j)◆	80	2003	15	10⅜	101.30	Deutsche Bk Cap.Mkts	-
AUSTRALIAN DOLLARS							
Australian Gas Light◆	50	1991	3	14⅜	101⅞	County NatWest	13.573
State Bk Sth Australia◆	50	1991	3	14	101⅝	Hambros Bank	13.308
Rank Xerox (Finance)◆	50	1991	3	14¼	101.80	ANZ Merchant Bank	13.481
Deutsche Bk Australia◆	125	1993	5	13⅜	101⅝	Deutsche Bk Cap.Mkts	12.914
SWISS FRANCS							
Ikegami Tsushinki★★§◆	100	1994	-	½	100	Nomura Bank (Switz)	0.500
Kawasaki Kasei Chem★★§◆	30	1994	-	½	100	SBC	0.500
Toyo Chemical Co.★★§◆	25	1993	-	½	100	Bqe Paribas (Suisse)	0.500
Daiki Aluminium★★§◆	50	1993	-	½	100	Handelsbank NatWest	0.500
American Health(g)§	50	1998	-	(7½)	100	S.G. Warburg Soditic	★
Kyushu Electric Power◆	200	1995	-	4½	100½	SBC	4.415
Atlas Copco★★◆	100	1993	-	4⅝	101¼	UBS	4.342
Shikishima Baking★★◆	12	1993	-	4⅝	100⅛	Fuji Bank (Schweiz)	4.596
Osaka Organic Chem★★§	30	1993	-	(½)	100	J.H. Schroder Bank	★
Chubu Electric Power◆	300	1994	-	4½	100¾	UBS	4.355
KfW Int.Finance★★◆	100	1994	-	4⅜	101	SBC	4.149
Nippon Carbide Ind.★★§	50	1993	-	(½)	100	Bank Leu	★
Sega Enterprises★★◆	15	1993	-	4⅝	100¼	Banca del Gottardo	4.568
Northern Feather★★§◆	30	1995	-	4	100	Handelsbank NatWest	4.000
TYK Corp.★★◆	12	1993	-	4⅝	100⅛	Fuji Bank (Schweiz)	4.596
Nat. Bank of Hungary◆	75	1994	-	5½	100	S.G. Warburg Soditic	5.500
Belgium(l)★★◆	100	1998	-	4¾	100¾	Shearson L'man Hutton	4.654
STERLING							
Northern Rock B.Soc.◆	40	2000	12	11⅜	101¼	Baring Brothers	11.181
Tesco Plc◆	100	2015	27	10½	99.566	Kleinwort Benson	10.547
McDonald's Corp.◆	50	1998	10	10⅜	101	BZW	10.211
GUILDERS							
City of Amsterdam◆	150	1998	10	6¼	101	SBCI	6.113
ECUs							
Honda Int. Finance◆	100	1993	5	7⅞	101¾	Morgan Stanley	7.443
LIRE							
Sumitomo Metal Int.◆	65bn	1992	4	11⅞	101¾	Banco di Roma	11.307
LUXEMBOURG FRANCS							
KB Int. Finance★★◆	300	1993	5	7⅜	100¼	Kredietbank Int.	7.314
Sandvik AB★★◆	300	1993	5	7½	100	BIL	7.500
Banrobel NV★★◆	300	1993	5	7⅝	100½	Credit Europeen	7.501
YEN							
State Bk Victoria(c)◆	10bn	1992	4	7	101⅝	Daiwa Europe	6.525
C. Itoh(America)(d)◆	10bn	1993	5	7	101⅞	Daiwa Europe	6.548
C. Itoh Fin.(Europe)◆	10bn	1992	4	5	101⅝	Yamaichi Int. (Eur)	4.547
San Paolo di Torino(e)‡◆	6bn	1993	5	-55bp	100¼	LTCB Int.	-
Nippon Oil Finance◆	6bn	1992	4	7½	110⅜	Nomura Int.	4.601
Nippon Oil Finance(f)‡◆	8bn	1992	4	-57bp	100.3	Yamaichi Int. (Eur)	-
Lavoro Bank O'seas(e)‡◆	6.3bn	1993	5	-55bp	100¼	LTCB Int.	-
Sparekassen SDS(h)◆	6bn	1992	4	7⅛	101⅝	Nikko Secs (Europe)	6.649
ASLK-CGER (FICO)(h)◆	4bn	1992	4	8½	101⅝	Bankers Trust Int.	8.031

★Not yet priced. ★★Private placement. §Convertible. ◆With equity warrants. ‡Floating rate note. ◆Final terms. a) 80bp over Libor. b) 300-350bp over Libor. c) Redemption linked to Jap.Govt.Bond futures. d) Dual-currency - redemption linked to Yen/$ exchange rate. e) 55bp under Jap. long-term prime rate. f) 57bp under Jap. long-term prime rate. g) Dual-currency - call after 5yrs at SFr issue price or prevailing $ exchange rate, whichever is higher. h) Redemption linked to Nikkei stock index. j) Retractable issue. k) Launched on US domestic market. l) Put after 5yrs at 98% and 7yrs at 98%. m) Yr1 [illegible] over Libor, Yr2 [illegible] over Libor and Yr3 [illegible] under Libor. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Sceptics seem to have upper hand

THE GILT-EDGED securities market traded in a narrow range all last week: it was not sure how to take the Chancellor's Autumn Statement.

His success on the public spending front was a major coup; his prediction on inflation was the admittance of a major failure. On the latter there are the optimists, who believe him, and the sceptics, who see his forecasts has being a touch too good to be believable. The behaviour of the index-linked market would suggest the sceptics have the upper hand.

The Autumn Statement provided the most up-to-date numbers on which to think about the gilt market over the medium term. Mr Lawson gave Treasury forecasts for expenditure, nominal gross domestic product growth, and debt interest payments, and so some guessing with this official guidance is possible.

A few words about the table are appropriate.

The spending columns are from the Autumn Statement. The tax receipts are derived from the Treasury's path for nominal GDP growth and assume receipts remain around 40 per cent of that figure; it also assumes the Treasury loses only 75 per cent of revenue implied by the 1p reductions in the basic rate of tax. Finally, it assumes that the average cost of the entire national debt (currently around £197bn) is about 8.65 per cent.

Playing with those numbers and assumptions produces a remarkably similar debt interest profile as published in the Autumn Statement and a credible PSDR (public sector debt redemption) profile over the medium term.

The Treasury has factored in huge nominal increases in public spending in future years and, at least in the short term, it is difficult to think of a scenario in which it would allow an overspend.

Also, its forecasts for nominal GDP growth seem reasonable (a fully-fledged recession excluded) and if taxes in the future bear any resemblance to past relationships to nominal output then our forecast for revenue growth may not be too over-optimistic.

So what does it all mean? Such a scenario continues to produce large PSDRs and given the Government's commitment to fund fully its contribution to monetary growth it seems likely that it will continue to retire debt.

This could be done by running down the gilt mountain which, up until the end of June, amounted to about £132.5bn in the hands of the market, or reducing the stock of National Savings, or a combination of the two.

We assume that for largely political reasons the Government will keep open the market for National Savings (although by doing so it is simply deferring the problem of what to do with a huge savings institution designed to tap household savings for the public sector when it no longer needs the money). Eagerly awaited are the terms, in the new year, of the Capital Bond, of Tory party conference fame.

The cumulative effect of the PSDRs generated by the forecast together with the knock-on effects on debt interest payments is to reduce the stock of gilts by around £27.5bn by the end of the 1990-91 financial year – a 21 per cent contraction in the market. A £100bn gilt market, and lower, is in sight.

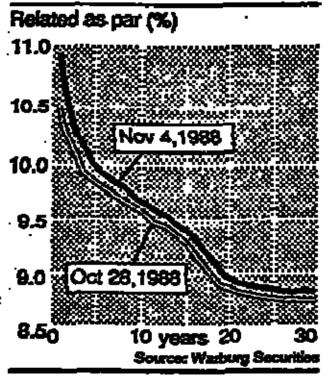
This, of course, assumes that foreign exchange intervention and National Savings have a neutral effect on the Government's accounts – assumptions which the Bank of England has in the past been keen to highlight. Suffice it to say, every pound raised through National Savings is one more pound of gilts the Bank has to buy-in from the market.

● The Bank was in the market again last week. One market-maker was heard to remark that it had become its biggest retail customer.

Simon Holberton

UK gilts yields

Related as par (%)



Source: Warburg Securities

The Future of the Gilt Market

FY Year	Public Spending (£bn)	General Gov't Spend. (£bn)	Public Receipts (£bn)	PSDR (£bn)	Debt Interest (£bn)
1988	153.6	163.2	190.6	9.7	17.7
1989	167.1	176.6	203.4	9.8	17.0
1990	179.4	188.9	214.1	9.0	16.2
1991	191.6	200.8	224.8	8.8	15.4

Notes: Assumes taxes grow in line with nominal GDP; 1p off basic rate in 1989 and thereafter; interest on national debt, 8.65% p.a.

US MONEY AND CREDIT

As Reaganomics bites the dust. . .

THE FIGURES speak for themselves. The figures in question are not the employment statistics which sent the bond market reeling on Friday. These were exciting enough to justify a day-long trading debacle, but added little of substance to the familiar picture of a fairly inflationary economy still moving ahead a little too fast for comfort.

After tomorrow's presidential election, investors should start focusing on an entirely different and more reliable set of indicators. These are the historic growth rates of the US economy in the wake of past Republican election victories. Regardless of who is elected to the White House on Tuesday – although President George Bush is now virtually a foregone conclusion – most of the figures painstakingly gathered by the US statistical agencies over the last six months will instantly be reduced to little more than curiosity value.

For what will become significant from Wednesday onwards will not be the past performance of the US economy, but the new President's intentions about its future. If this statement seems nothing more than a vacuous platitude, it is worth recalling that the US has been effectively without an economic policy for over a year.

The Federal Reserve Board, of course, has been working hard to keep the country coasting along in neutral since the last explicit policy action by the US Government – the bipartisan budget compromise reached in the wake of the October crash last year. The Greenspan Fed has been fine-tuning US monetary conditions more actively, and more expertly, than any central bank in living memory. But it is doubtful whether even Mr Alan Greenspan would dignify his recent activities with the grand title of "monetary policy."

All that the Fed has done has been to keep the show on the road. Quite justifiably, Mr Greenspan has left the US electorate to decide the economic show's future programme. The Fed, with the invaluable assistance of central bankers in Japan and Europe, has tightened a bit here and loosened there. It has spent billions on currency intervention. But it has all been a holding action, designed to keep the imbalances in the world economy in check and ensuring that no new economic trends – whether inflation, recession or devaluation – became irreparably entrenched before the US election. The Fed has emphatically not taken it upon itself to chart the US or world economy's longer-term future.

This is precisely what the new President will now have to do. If he refuses to do it, or fails to persuade the Congress to co-operate with his plans, that in itself will be a policy development far more significant than the inevitable squirming and dodging which has preceded the election.

Of course, the problem for investors is that neither candidate has said anything substantive about his economic plans. This applies especially to the probable winner, Vice-President Bush. Even the two clear-cut predictions which might have been made about Mr Bush's policies on the basis of his campaigning and his past performance – that he would not raise taxes and that he would stick as closely as possible to the Reagan economic blueprint – begin to melt away on closer analysis.

While Mr Bush might have painted himself into a corner on the issue of taxes, by repeatedly ruling out all forms of new revenues, the Democrats dismally failed to make economic policy a major issue in the campaign. This should make it far easier for President Bush to squirm out of his tax promises if he so desires than might have been predicted two months ago. New taxes disguised as something else – for instance medical user charges or oil import tariffs – could be surprisingly easy for Mr Bush.

What happens to US economic policy beyond this week is anyone's guess, except that history exists to guide us. This brings us back to the post-election records of past Republican presidents. The gross national product growth rates for the first two years after each Republican election win since the Second World War read as follows:

- Eisenhower 1952: 4.0 per cent, -1.3 per cent;
- Eisenhower 1956: 1.7 per cent, -0.8 per cent;
- Nixon 1968: 2.4 per cent, -0.3 per cent;
- Nixon 1972: 5.2 per cent, -0.5 per cent;
- Reagan 1980: 1.9 per cent, -2.5 per cent;
- Reagan 1984: 3.0 per cent, 2.9 per cent.

What all of these experiences, except the last, had strikingly in common was the pattern of a recession in the second year of a Republican administration. In every case the second year recession was more or less deliberately orchestrated in order to purge inflation from the system, improve the balance of payments and prepare the economy for a pre-election boom which normally began about two years before the next election. The second Reagan presidency was perhaps the exception that proved the rule because the severity of the 1980-82 recession was such that no further anti-inflationary actions were necessary in 1984.

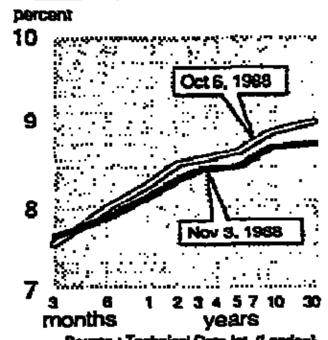
Every Democratic President, by contrast, has tried to avoid recession and urged the Fed to loosen monetary policy immediately after his election. For the Kennedy and Johnson administrations, this approach was successful throughout the 1960s. But President Carter's attempts to keep the economy growing strongly after 1976 only precipitated the politically disastrous pre-election recession of 1980.

This leads to the second generalisation that can be made about the political business cycles under Republican and Democratic administrations. Since the Second World War, every Republican president has easily won re-election after the pre-election booms at the end of his first term. In the same period, only one Democratic President – Lyndon Johnson – was re-elected.

The conclusion – if Mr Bush looks at history and if he wants to get re-elected – is that a major tightening of policy between now and the end of next year would definitely appear to be on the cards.

Anatole Kaletsky

US Treasury yields



Source: Technical Data Int. (London)

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12 month High	12 month Low
Fed Funds (weekly average)	8.25	8.25	8.24	8.77	6.27
Three-month Treasury bills	7.46	7.38	7.26	7.53	5.14
Six-month Treasury bills	7.63	7.49	7.79	8.04	5.22
Three-month prime CDs	8.46	8.40	8.17	8.51	6.77
30-day Commercial Paper	8.17	8.12	8.02	8.20	6.52
90-day Commercial Paper	8.37	8.28	8.24	8.40	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	99½	-1/16	8.80	8.56	8.77
20-year Treasury	104¾	-1/16	8.88	8.78	8.97
30-year Treasury	102¾	-1/16	8.90	8.79	8.89

Source: Salomon Bros (estimates)

Money supply: In the week ended October 24, M1 fell by $2.8bn to $780bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 2/11/88	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	146.83	4.58	146.58	142.93	144.53
Government Bonds	147.95	4.25	147.66	142.68	145.67
Municipal Bonds	148.10	4.98	147.94	145.28	146.18
Govt.-guaranteed Bonds	149.29	4.99	149.11	146.99	147.56
Bank Debentures	140.21	4.48	140.00	137.19	138.05
Corporate Bonds	146.46	5.41	146.15	144.19	143.45
Yen-denom. Foreign Bonds	149.40	6.36	149.21	146.68	144.00
Government 10-year†	4.89		4.88	5.31	4.81

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid price	Chg on week	Yield
US DOLLAR STRAIGHTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PACIFIC GAS & ELEC 12 00	75	109¾	+⅛	10.51
PENNEY J.C. 12⅝ 91	100	103⅝	0	11.18
PEPSICO INC 7⅝ 93	200	93¼	-⅜	9.25
PEPSICO CAPITAL 8¼ 91	100	98¼	+⅛	9.14
PETRO-CANADA 7¼ 96	200	88¼	-⅛	9.37
PHILIP MORRIS 9⅝ 98	200	98⅞	-⅛	10.04
POSTIPANKKI 11¼ 90	75	102¼	0	9.24
PROCTER & GAMBLE 10 95	150	103⅛	-½	9.33
PRU.RLTY SECS. 0 99	365	39⅞	+⅛	9.44
QANTAS AIRWAYS 8⅛ 96	97	95¼	-⅛	9.44
[illegible]	150	106¼	+⅛	9.44
[illegible]	100	102⅛	0	9.23
[illegible]	150	106⅛	0	10.26
[illegible]	100	96¼	-⅜	11.13
[illegible]	125	104	0	10.33
[illegible]	200	100⅞	0	9.28
[illegible]	150	102⅛	-⅛	9.44
SANWA BANK 1⅛ 02	300	95⅛	+⅛	0.34
SOUTHWEST AIRLINES 6¼ 98	35	81	0	57.08
TEXACO CAPITAL 11⅛ 94	500	105⅛	+⅛	12.23

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GRAND MET 6¼ 02	100	87⅛	-⅜	32.94
INTL PAPER 5¼ 02	200	85⅛	0	23.20
LTCB 1⅛ 02	200	113	+1	4.76
MCA 5½ 02	300	83¼	+⅞	20.69
MITSUBISHI BK 1⅛ 02	300	118¼	+⅝	-2.79
NEWMONT MINING 7 02	100	103⅛	-⅛	15.09
NIPPON ELECTRIC 2⅞ 00	150	261½	+2⅝	-4.41
NISHI NIPPON 2⅞ 03	70	111	+6⅛	2.71
ROCKEFELLER CENTER 0 00	952	31½	+⅛	-65.13

WARRANTS	Expiry date	Bid price	Chg on week	Ex yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK 12¼ 92	31/01/90	80	+10	9.70
GEN ELEC CRED 9⅛ 92 B	17/12/92	11½	-⅛	9.14
GMAC 8¼ 95 B	11/02/91	18½	0	8.34
HEINZ H.J. 7⅛ 96	01/10/90	4½	-½	7.42
NORDIC INV BANK 7⅞ 96	30/10/91	5⅛	+½	7.78
ROYAL BK CANADA	28/01/90	72½	-3	9.74
SBC FINANCE 10⅛ 90	11/01/90	10	0	9.26

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on NOVEMBER 04

Third group enters Nabisco fray

By Anatole Kaletsky in New York

A THIRD GROUP of investors and companies, which includes *Procter & Gamble, the US* domestic products group, is preparing to make a bid for RJR Nabisco. This emerged over the weekend, when Forstmann Little & Co, New York's second biggest firm specialising in leveraged buy-outs, said it was involved in takeover negotiations with the Nabisco board.

Forstmann Little, which runs an LBO equity pool of *around $3bn, second only to* the $5.6bn fund controlled by Kohlberg Kravis Roberts, said it had lined up a group of high-powered partners to make an offer for Nabisco. Unusually, this group involved a number of industrial companies as well as investment banks, suggesting that a pre-arranged carve-up of Nabisco's food operations could be a key part of the Forstmann strategy. In addition to Procter & Gamble, the partnership includes Ralston Purina and Goldman Sachs.

Mr Theodore Forstmann, Forstmann Little's general partner, said his group had been given access to confidential financial information by the Nabisco board, and had signed confidentiality agreements. "We are prepared to work expeditiously to develop a proposal," he said.

Mr Forstmann also said that any offer he made would be higher than the two bids already before the Nabisco board. So far, KKR has offered $90 a share, or $20.4bn, for the tobacco and foods group, while a group led by Mr Ross Johnson, Nabisco's chairman, and backed by Shearson Lehman Hutton, has recently raised its bid from $75 a share to $92, or *$20.9bn in total.*

Both bids offer Nabisco shareholders a mixture of cash and newly-issued debt for their holdings. But Mr Forstmann said any bid his group made would be "financed entirely by us and our lenders" – suggesting an all-cash offer which many arbitrageurs would find much more attractive than a cash and securities bid.

Mr Forstmann added, however, there could be no assurance that his group would ultimately make an offer for Nabisco.

In addition to raising the stakes for Nabisco, a bid from Forstmann Little would greatly complicate what is already the largest and one of the most controversial takeover battles in US financial history.

Forstmann Little commands at least as much respect on Wall Street as KKR for its ability to get deals done and find virtually unlimited amounts of financing for LBOs in which it *decides to invest. The firm's* operating methods, however, are significantly different from those of KKR and many other LBO groups. Unlike KKR and Shearson, Forstmann has always eschewed the use of publicly traded "junk bonds" in financing its deals. Indeed, Mr Forstmann has personally been a vociferous and articulate critic of junk bonds and excessive leverage.

Instead of publicly traded bonds, Forstmann places the subordinated debt from its LBOs with a stable group of *long-term holders, many of* which also have interests in the equity portions of the deals. This way, the firm claims, it can keep its borrowing costs considerably lower than other LBO companies.

In some circumstances, this in-built advantage, along with the backing of several industrial partners, may mean that Forstmann Little can come up with a higher bid than other LBO groups. In numerous recent cases, however, Forstmann has backed out of LBO bidding because of prices it considered to be unrealistically high.

Special gains lift Mitel in quarter

By David Owen in Toronto

MITEL, the Canadian telecommunications company in which British Telecom holds a 51 per cent stake, has *reported significantly higher* second-quarter income, attributable mainly to extraordinary gains.

In all, net earnings for the period rose to C$10.5m (US$8.6m) or 11 cents a share from C$4.4m or four cents in 1987. At an operating level, *however,* profit was a paltry C$500,000, against C$900,000 a year ago. Revenues edged up to C$106m from C$103.7m.

For the six months ended September 30, income totalled C$9.8m or 9 cents a share on revenues of C$207.6m, compared with a loss of C$1.7m or 6 cents on revenues of C$196.4m a year ago.

Figures for the latest period include a hefty C$11.1m *extraordinary gain. This* partly comprised C$6.2m from the sale of the company's Renfrew manufacturing facility and C$3.8m from the utilisation of prior year tax losses.

Before these items, the six-month loss stood at C$1.3m.

The company is attempting to recover from a string of annual losses which stretches back until 1984.

Bergen Bank to set up three merchant units

By Karen Fossli in Oslo

BERGEN BANK, one of Norway's top three banks, yesterday announced staff cuts and a radical restructuring of its merchant banking activities into three subsidiaries – corporate finance, money markets and portfolio management – in an attempt to become Norway's leading merchant bank.

Mr Gudmann Roenningen, a bank official, said plans may also include an additional subsidiary, new issues and trading, but clarification from authorities was needed before a decision could be taken.

Mr Bengt Angren is to head the money markets subsidiary, while Mr Gunn Waersted will head portfolio management. Last month the bank announced that losses on loans and guarantees for 1988 would reach NKr1.1bn ($165m), a figure higher than earlier estimates, reflecting a strong rise *in loan losses involving small* and medium-sized businesses.

Currently three subsidiaries outside the bank, the Bodd group, Scancorp – a division of Nevi – and Fabin undertake corporate finance and portfolio management.

Strong first half for Volkskas

By Jim Jones in Johannesburg

VOLKSKAS, South Africa's fourth largest banking group, increased its disclosed interim after-tax profit by almost one-third in the six months to September 30, *but has* increased retentions and left its dividend unchanged.

The bank and its competitors face some years of rising retentions to increase capital bases to comply with stricter capital/asset ratios.

The *interim profit after* tax and transfers to and from inner reserves rose to R39.5m ($16m) from R30m in the previous first half and compared with R71.3m for the last financial year as a whole.

First-half earnings per share were 93 cents against 91.9 cents and the interim dividend was unchanged at 20 cents. Earnings last year were 186.4 cents and the dividend was 73 cents.

The directors say the profit rise was achieved *despite* increasing pressure on interest margins.

Volkskas has cross shareholdings with United Building Society, the country's largest, and is examining means of integrating the two companies' operations. Volkskas' other principal shareholder is Rembrandt, the tobacco and liquor group.

BZW unit attracts UK pension funds

By Barry Riley

A WORLD INDEX fund launched by the investment management arm of Barclays de Zoete Wedd has pulled in £140m ($246m) from UK pension funds, confirming the rapid growth in popularity of index-tracking techniques among investment institutions.

This sum has been subscribed by just five pension funds, none of them previously clients of BZWIM. The managers are hoping for further substantial growth in the size of the fund when it is reopened to new investors after a month.

The Aquila World Index Fund is designed to mirror the performance of the FT-Actuaries World ex UK Index, which excludes the UK market. It uses sampling techniques to simplify the task of matching the index, which has 2,155 constituent stocks spread across 23 *national markets. Even so, the* fund holds 870 stocks in some 17 markets.

BZWIM has accepted the £140m in the form of existing overseas equity portfolios which have had to be restructured into the appropriate shape. According to the managers the striking feature of the original portfolios was their low Japanese exposure. An extra £50m worth of Tokyo stocks has had to be bought in order to achieve the index weighting for Japan.

A number of index matching pooled funds and unit trusts have been launched by various managers in recent months, mainly covering the UK and US equity markets. BZWIM's is the only world index fund to have been launched so far in the UK.

Imasco profits 15% ahead

By David Owen in Toronto

IMASCO, the Canadian tobacco, financial services and retailing conglomerate, has reported a 15 per cent increase in third-quarter income to C$89m (US$73m) or 71 cents a share from C$77m or 61 cents a year earlier.

Nine-month earnings also rose strongly, to C$210.9m or C$1.67 a share on revenues of C$4.4bn, from C$155.8m or C$1.20 on revenues of C$4.3bn a year ago. The 1987 figure included a C$29m special charge.

Third-quarter revenues edged up 2 per cent to C$1.5bn.

Profit growth was broad based, with operating earnings from the tobacco division climbing 12 per cent in the first three quarters to C$223.4m.

Tiny Rowland turns down Bond meeting

By David Waller

MR TINY Rowland, chief executive of Lonrho, has written to Mr Alan Bond rebuffing the Australian entrepreneur's repeated desire for a meeting following his accumulation of a 20 per cent stake in the British-based multinational.

Mr Bond wrote to Mr Rowland on November 2, requesting a second meeting with Mr Rowland following one on September 24, when his stake was substantially lower and his intentions regarded as friendly. Mr Rowland wrote an acerbic reply a day later, rejecting the Australian's request.

"The scale and initial secrecy of your share purchases indicate your hope of bidding for the whole (of Lonrho)," wrote Mr Rowland, "but you should inform your bankers that the Lonrho board will effectively oppose any offer which is regarded as unrealistic.

"We have looked at your accounts in depth, and at the style and extent of funding. We don't think that the Bond Corporation can bring anything to Lonrho other than a need to sell our valuable assets to service your very large debts."

A day earlier, Mr Bond had written: "At this stage, we have no specific proposals but I would very much like to explain the background to our recent purchases of shares in Lonrho. Also, as your largest shareholder, I think it would be useful for...both of us to discuss how we might agree to take things forward to our mutual benefit and that of our respective shareholders."

Last week, Mr Bond disposed of major holdings in M&G and Standard Chartered, which led many to believe that he was raising finance for a bid for Lonrho and to increase his stake from 20 per cent.

Kode warns of eroding margins in the second six months

By Clare Pearson

SHARES IN Kode International, a computer distributor and circuit board manufacturer, tumbled 50p to 235p on Friday after it warned full-year results would be significantly lower than market expectations.

Mr Peter Boothby-Smith, chief executive, said pre-tax profits would be much less than the range of between £2m and £2.6m anticipated by analysts.

He said the problems had arisen in the Kode Computers division where Mr Robert King, managing director, had recently resigned and was to be replaced by Mr Stephen Day, currently responsible for the circuits division.

The company said margins had been severely eroded during the second half by a move by its main supplier, Wyse Technology of the US, to flood the market with components during the mid-summer. At the half-way stage, it attributed a 29 per cent fall in pre-tax profits to £791,000 to a shortage of stock.

Additionally, Kode reported lower-than-anticipated demand from commercial customers. The interim results, it said, were affected by a cut back in orders from local government customers, who usually did most of their software buying in the spring.

Caird sells Wistech stake to Leigh

By Nikki Tait

CAIRD, the acquisitive waste company, has sold its 12.7 per cent holding in Wistech, an OTC-traded specialist cleaning and materials group, to Midlands-based Leigh Interests.

The shares were sold at 65p each, compared with 50p each originally paid by Caird, producing a profit of about £200,000.

Caird made a 70p-a-share conditional offer last May, but withdrew when it decided that the valuation was not backed up by an auditor's report.

It subsequently acquired its stake, disclosing an initial 5.1 per cent holding in August.

Wistech received a number of approaches in the wake of the Caird withdrawal, and Leigh says it talked to the company during July.

However, Leigh stressed yesterday that no talks had taken place more recently, and said it was now a question of seeing how matters developed.

Earlier this month, Caird sold a 6.2 per cent stake in Leigh Interests, making a profit of about £600,000.

BWD in £8m deal with Rensburg

By Clare Pearson

RENSBURG, the regional independent stockbroker that earlier this year contemplated merging with Sturge, the Lloyd's underwriting agency, is being bought by USM-quoted BWD Securities in a £7.87m deal.

Yorkshire-based BWD is hoping the merger with Rensburg, with its head office in Liverpool, will create a major force in north of England stockbroking. Mr Christopher Broadbent, BWD's managing director, said the combined company would have more than 35,000 clients and some £600m under management.

There are also possibilities for expanding the client base through a recent agreement between BWD and Yorkshire Building Society. The society took a 4.9 per cent stake in BWD to fund the issue to its customers of share-dealing cards giving them access to BWD's dealing rooms.

Of the 7.22m new shares being issued at 109p each in consideration for Rensburg, the vendors are retaining 90 per cent, representing 37.7 per cent of the enlarged equity. The balance is being placed with the Yorkshire Building Society.

Chubb Corporation lifts its stake in Sun Alliance

By Nick Bunker

NEW JERSEY-based Chubb Corporation, a property/casualty insurer, has raised to 7.03 per cent its holding in Sun Alliance, the UK composite insurer, after buying an extra 1.94m shares.

The US company last increased its stake a year ago, when it emerged that it had gone up to 6.05 per cent from the five per cent level it first disclosed in spring 1986. The two companies have been business partners since the late 19th century, when Chubb acted as New York underwriting agent for a number of old British insurance companies.

Sun Alliance owns 9.47 per cent of Chubb, and participates in insurance pools managed by the American company.

The news appeared to bear out comments made last November by Mr William Niven, Sun Alliance's general manager (finance and investments), who said that Chubb had a long-term buying programme with a target of raising its stake to the same level as Sun Alliance's holding of its shares.

Amercoeur calls on shareholders for £700,000

Amercoeur Energy, anthracite mining group which is traded on the Third Market, is raising £700,000 net via a two-for-three rights issue to provide working capital for the recommencement of normal operations in South Wales.

Initially, part of the proceeds will be used to reduce borrowings. In the longer term it is planned to acquire businesses in both related and non-related activities.

The issue was foreshadowed last month when the company announced a loss of £241,000 for the first half of 1988.

CDFC poised to take control of Plantation

CDFC, investment trust, was yesterday poised to win control of Plantation Trust, the subject of its £9.9m takeover offer. CDFC has brought its stake up to 52.7 per cent after agreeing to buy a further 681,913 shares, representing 6.7 per cent of Plantation Trust. The offer will be declared unconditional when the necessary paperwork is completed.

Greenall denies hotel complex is up for sale

By Lisa Wood

Greenall Whitley, regional brewer, said it had neither received nor invited any offers for the sale of its Belfry hotel and golf complex.

Mr Michael Davis, finance director, said the hotels were fundamental and central to what Greenall was doing. "People putting these rumours around are spivs," he said.

Cambrian continues to see share changes

By Nikki Tait

CAMBRIAN & General, the UK investment trust which was formerly a vehicle for convicted US insider trader Mr Ivan Boesky, continues to see changes in its share register.

Heine Securities, the New York-based mutual fund group, announced yesterday that it had sold its entire holding of ordinary shares in the company on September 26 and 27.

Prior to the sale, this stood at 4.095m ordinary shares, or 8.97 per cent.

Meanwhile, Leucadia National Corporation, the quoted New York-based group with interests ranging from insurance and banking to real estate and manufacturing, is continuing to raise its stake.

Its latest declared holding comprises 680,000 capital shares and — following the purchase of another 2.26m ordinary — 16.77m ordinary shares. Overall, this gives Leucadia control of 28.53 per cent of the votes in Cambrian.

The largest shareholder in Cambrian is the US Securities and Exchange Commission, which holds 12.68 per cent of the ordinary shares and 54.6 per cent of the capital shares.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Gandalf Technologies (Section: Americans).

Hilclare (Third Market).

Specialeyes (Stores).

BOARD MEETINGS

TODAY

Interims- Assoc. Brit. Foods, Brown (N.), GT Management, Hughes (H.T.).

Finals- German Secs. Inv. Tst., Imperial Cold Storage.

FUTURE DATES

Interims-

AAH Hldgs.	Nov. 15
ASW Hldgs.	Nov. 14
Bank Nova Scotia	Dec. 2
Brown Shipley	Nov. 18
Chamberlain Phipps	Nov. 29
Fleming Far Eastern	Nov. 14
Foster (John)	Nov. 17
GEI Intl.	Nov. 8
King & Shaxson	Nov. 10
Lilley (FJC)	Nov. 14
Welpac	Nov. 21
Whitbread Inv.	Nov. 10

UK COMPANY NEWS

Compass planning flotation with £200m price tag

By Alice Rawsthorn

COMPASS GROUP, a contract services company that staged a management buy-out from Grand Metropolitan last year, plans to go public early next month in a flotation which will value its business at about £200m.

The group has also announced its first set of financial results as an independent company. Its pre-tax profits soared from £5m to £13.3m in the year to September 30, on sales which rose from £261m to £277m.

Compass is one of the largest independent contract service companies in the UK with interests in catering, healthcare, security and building services. Its management took control in June last year in a £160m buy-out: at the time the buy-out was the biggest staged in Britain.

In Compass's first full year as an independent company, the catering and security division saw trading profits increase to £18.5m (£14.3m). The group sold its vending company during the year but acquired a security business for £5m. The healthcare division increased profits to £3.7m (£1.5m), reflecting the benefits of investment in its hospitals. Building services saw profits rise to £2.5m (£1.5m).

Mr Gerry Robinson, chief executive, said that Compass planned to go public in order to reduce the borrowings incurred by the buy-out. The group paid £11.4m (£12.3m) in interest in its last financial year.

Compass intends to release about 30 per cent of its equity in the flotation. Lazards will act as the merchant bank and James Capel as the broker to the issue.

Once the flotation is completed Compass plans to expand further by acquisition. Mr Robinson said that acquisitions would be directed towards its existing activities in services, with the exception of catering where Compass already has "very substantial" interests.

●Grand Metropolitan, which is fighting Pernod Ricard, the French drinks group for control of Irish Distillers, said it had written to the Irish Minister for Industry and Commerce confirming undertakings concerning jobs and production of Irish whiskey should its I£5.25 per share bid succeed.

The Irish Minister has not yet announced whether he will allow either or any bid for Irish Distillers to proceed.

M and S plans to speed up European expansion

By Alice Rawsthorn

MARKS AND Spencer, the retailing group, plans to accelerate its expansion in Europe by buying stores and, possibly, retail businesses in other European countries.

Mr Rick Greenbury, chief executive, yesterday told the BBC Money Programme that a special management team had been created to identify acquisition opportunities in Europe.

In the short term, he said, the team would identify stores in major European cities which the group could buy to turn into M and S units.

In the longer term it might consider the faster route of buying established retail businesses.

Earlier this year M and S staged two acquisitions in the US by buying the Brooks Brothers men's wear group for $750m (£424m) and Kings Super Markets for $108m.

The group already has 11 European stores in Belgium, France and the Irish Republic. It also has franchises in Spain and Hungary. The special management team will study the propsects for each European market. Mr Greenbury said that Spain is a prime candidate for expansion.

M and S is also believed to be interested in West Germany and Holland.

Last week M and S disappointed the City with the publication of its interim results. Pre-tax profits increased by just 8 per cent to £185.5m, while sales rose by 13 per cent to £2.2bn, in the first half of the year.

The European division suffered a 22 per cent fall in operating profits to £5.8m, while sales slipped by 3 per cent to £57.5m. This reflected the impact of adverse exchange rates on translation and weak demand for clothing.

Mr Greenbury said that M and S was also keen to increase its other international interests. It intends to expand further in Hong Kong, where it has already opened two stores this year. Eventually, he said, it may move into China.

A dramatic shift in the balance of power

Ray Bashford on Australian National's hostile takeover approach to Aurora

AUSTRALIAN National Industries' tactics of patient persuasion ended last Thursday when it put a gun to the head of Aurora and launched a hostile bid for the Sheffield-based engineering group from a securely entrenched position.

Having courted Aurora for 12 months, only to be rebuffed two weeks ago during takeover discussions, Mr Neil Jones, managing director of Australia's biggest engineering company, flew back to London and made an offer which he feels cannot fail.

ANI lifted its offer price from 140p to 148.8p a share, valuing Aurora at £138.1m, and in the process swept up the support of Electra, the second biggest shareholder.

Electra's acquiescence took the Aurora board and several of the other major institutional shareholders by surprise. They believed that ANI could be pushed to pay at least 160p a share – the price been placed on the company by the Aurora board during the aborted takeover discussions.

However, when Electra broke ranks with M&G and Investors in Industry (3i), the other big institutional holders which collectively control 22 per cent of the capital, the balance of power shifted dramtically in ANI's favour.

Mr Jones feels that the capture of the Electra stake has sealed the fate of the manufacturer of steel forgings and casting, cutting tools and fasteners and distributor of special steels machining tools and building products.

"By not talking to us and making us deal directly with the major shareholders I believe the Aurora board has lost control of the company," he said.

Under takeover rules, ANI is prohibited from entering the market for three weeks after the issue of its formal takeover document, which is expected towards the end of this week.

But Mr Jones has been given clear indications that he will be able to mop up enough shares to push the holding above the 50 per cent mark.

Until ANI expressed its hostility last week, both sides have pushed their positions in a peculiarly restrained fashion.

Even after the bid was launched and Electra had left the door wide open for ANI, Mr Doug Morton, Aurora managing director, said the Australian company had acted in a "totally honourable" way.

"We have joined in battle, but it is no good getting excited or emotional about it," he said.

Such composure has typified the regeneration of Aurora during the five years since it almost went to the wall as a victim of the cost and over supply crisis which hit the British steel and engineering industry at the beginning of the decade.

The company has become a textbook example of industrial recovery through rationalisation, improved management and improved production techniques.

Amid a wave of closures and industrial unrest in Sheffield's steel and engineering industry, Aurora's problems peaked in 1983 when it was forced to shut its specialist steel business and witness shareholders' funds dwindle to £2.3m and borrowings swell to £40m.

The company faced ruin and the then management, which had overseen a period of severe industrial trouble with very little success, requested a suspension in trading in the shares.

Despite a £3.9m loss during 1982, Aurora managed to hold turnover at £103.4m which gave rise to hope if greater efficiency could be achieved.

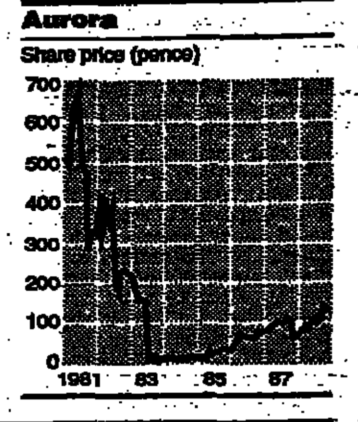
A rescue plan was put into action which enlisted the support of Electra, M&G and 3i which agreed to take up about 40 per cent of the shares, and a new management.

Neil Jones – an end to patient persuasion

SIX-YEAR TURNOVER

Year to December	Turnover £m	Pre-tax profits £m
1982	103.4	(3.9)
1983	91.3	3.2
1984	104.8	6.6
1985	107.6	9.1
1986	112.8	11.0
1987	112.1	11.5*
1988	150.0†	14.5†**

† Estimated
* First half £5.1m
** First half £6.7m



They took up the shares at 10p and, apart from Electra which picked up a profit on the investment of £24.7m when it sold to ANI, are sitting on large paper profits.

Key to the exercise was to take on a management more in tune to current demands and presssure and these were seen in Mr Morton, who joined from GEC, and Sir John Hill, the chairman, who was brought across from Amersham International.

Under their stewardship, Aurora has prospered. While turnover growth has done little better than mark time, pre-tax profits have leaped forward to £11.5m during 1987, providing earnings per share of 9.3p against a loss of 4.6p in 1982.

James Capel, the London stockbroker, is predicting pre-tax profits of £14.5m for the current year. However, a figure well in excess of this could feature as a plank in its defence platform.

All areas of operations have contributed to the progressive improvement and are well positioned within their respective markets to continue steady growth for at least the next two years.

Mr Morton believes that the decision of Electra to sell is a clear indication of the company's achievements. "By selling, they have made us a victim of our own success. We were obviously at the top of their league table and they will use the cash from the sale in other ways," he said.

Analysts single out the reactivated specialist steel business as having strong potential with its link pinned to the demands by Rolls Royce for its aerospace business.

Aurora has relied principally on organic growth to propel earnings, however, as the company moves from consolidation and rationalisation into a more expansive mood the scope for acquisitions was presenting itself.

As the first major step towards expansion by acquisition, Westpark, a values, fans and specialist alloys group was acquired for £8.5m last January and this was followed five months later with the £1.8m cash purchase of North British Steel, a loss-making foundry group.

The board has examined further possible "bolt-on" acquisitions, although despite Mr Morton's claim that it is business as usual at Aurora in the face of the ANI threat doubt must be cast over the chances for any of these eventuating.

When ANI was sizing up the target for its first move into Britain, the possibility as using Aurora as a solidly-based and compatible vehicle for development through the takeover of other engineering companies was clear in Mr Jones' mind.

He believes that the sector offers the possibility for greater efficiency which the management of ANI could provide, employing what he feels is a more assertive style of management.

While building up its stake in Aurora to 22 per cent during the past 12 month, ANI has also taken a 6 per cent stake in William Cook, a steel casting manufacturer, and holdings of less than 5 per cent in a further three companies.

Mr Jones is also examining the possibility of using Aurora as a bridgehead for expansion into continental Europe with the call of 1992 ringing in his ears.

Preliminary investigations have provided encouragement to the chances of expanding its equipment hire business across the Channel, although broader points of entry are also under consideration.

ANI, like many other big Australian companies, has reached virtual saturation point in its relatively small domestic market and sees international expansion as essential to the maintenance of rapid profit growth.

The company managed only an 11.5 per cent improvement in pre-tax profits to A$74.8m (£34.8m) during the 12 months to last June.

Investments in the US, Asia and New Zealand contribute 10 per cent of pre-tax profits, and as an indication of the importance of Aurora to ANI's international plans, success in the bid would boost this to between 25 per cent to 30 per cent.

Under the group's stategy for expansion, international sources will contribute between 40 and 50 per cent during the next three to four years.

Such an ambitious target should give the boards of many small to medium-sized British engineering companies, apart from Aurora, food for thought.

Hestair £13m acquisitions

Hestair, diversified group,has acquired two consumer products companies, IIC and IIC Australia, suppliers of frames and framed art work, for £12.5m in cash.

Mr Richard Raworth, deputy chairman, said that Hestair was building up its consumer products division to reduce its dependence on the cyclical employment services business.

Both companies were sold by Intercraft, a private US company which plans to concentrate on its US operations.

In 1987, IIC made pre-tax profits of £1.2m and had assets of £3.8m. IIC Australia made profits of £500,000 and had assets of £0.8m.

DTI stays silent on Burton investigation

By David Waller

THE DEPARTMENT of Trade and Industry yesterday refused to comment on reports that it has given the Burton Group a clean bill of health following an investigation into the retailer's takeover of Debenhams in 1985.

The DTI is taking the line that since it never made an announcement of the investigation in the first place, it is unlikely to declare that it is now finished.

The investigation first became public knowledge in January this year, and had the effect of depressing Burton's share price.

Burton said yesterday that it had received no communication from the DTI, but would be delighted if the press reports were true. It said that it was aware of market rumours that it had been given a clean bill of health.

The investigators, who left Burton's offices in July this year, are believed to have been concentrating on the business relationship between Heron International and Burton after Mr Gerald Ronson's company helped Burton win the £560m takeover bid.

FINANCIAL TIMES STOCK INDICES

	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Oct. 31	Oct. 28	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.82	89.02	89.19	89.33	89.31	89.31	91.43	86.28	127.4	49.18
Fixed Interest	97 57	97.60	97.66	97.73	97.63	97.59	98.67	94.14	105.4	50.53
Ordinary	1485.6	1489.5	1495.6	1507.7	1501.7	1508.9	1514.7	1349.0	1926.2	49.4
Gold Mines.......	174.5	175.3	169.9	169.1	168.9	166.6	312.5	162.7	734.7	43.5
FT-Act All Share.....	958 61	960 04	962 38	968.72	965.54	967.24	978.58	870.19	1238.57	61.92
FT-SE 100	1834.3	1837.6	1843.2	1857.8	1852.4	1858.4	1879.3	1694.5	2443.4	986.9

SHARE STAKES

Changes in the following share stakes were announced recently:-

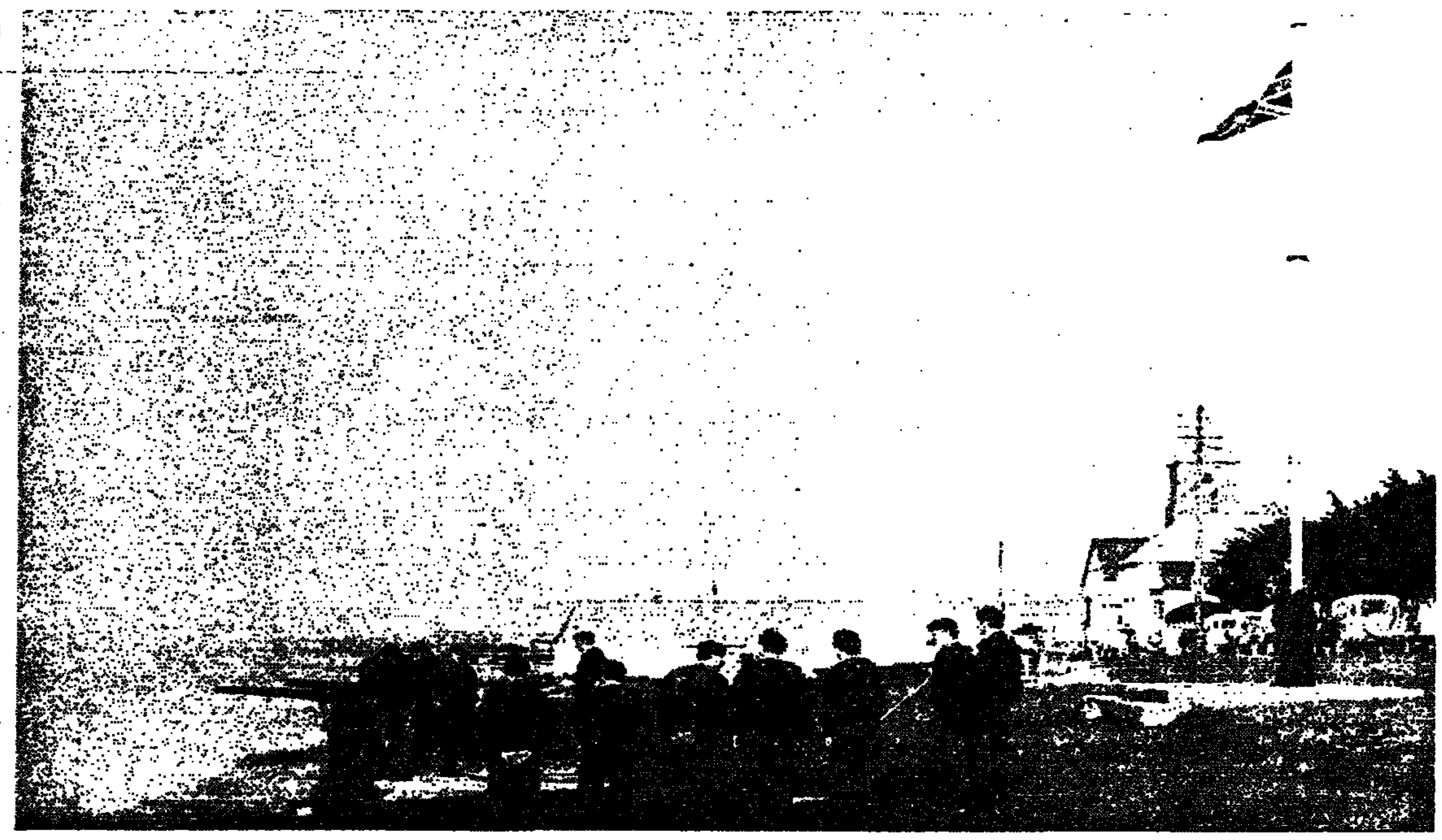
AC Holdings – Mr West, director, acquired 1,023 ordinary (0.0067 per cent) making a total of 3.79m (24.87 per cent).

British Aerospace – 31.78m ordinary (12.46 per cent) are foreign-held.

British Syphon – James Capel (Third Nominees) acquired, on behalf of James Capel Fund Managers, a further 600,000 increasing holding to 7.063 per cent.

FINANCIAL TIMES SURVEY

Six years after the War, the Falklands face the complex problems of overdue development, over-reliance on the UK and over-rapid prosperity. The islanders are now under pressure to take on greater responsibility. A four-page survey by **Andrew Marshall**



The Defence Force fires a salute to Gordon Jewkes, outgoing Governor of the Falkland Islands, who will be replaced later this year by William Fullerton

The Falkland Islands

A route from dependence

STANLEY, the capital city of the Falklands, is no longer the most important place in the islands: that distinction is now reserved for a spot in the windswept waters of Falkland Sound, near Port Howard.

The geographical centre of the Falklands is not just a notional point. It is also the centre of the Falklands Islands Interim Conservation Zone (FICZ), the islands' fishing zone, and the Falklands Islands Protection Zone, the area patrolled by the F4 Phantoms and C130 Hercules based at Mount Pleasant Airport and the ships based at Mare Harbour. Together, these two circles enclose the islands' future.

Their defence and firm political links to the UK are ensured in the medium term by the military presence. The facility at Mount Pleasant Airport is a guarantee of good faith. It is also an international airport, providing bi-weekly services to RAF Brize Norton in Oxfordshire.

Negotiation of the competing British and Argentine sovereignty claims to the islands has been pushed off the political agenda by the 1982 conflict and its aftermath. The islanders will not countenance any deal that they do not agree; and as long as Mrs Thatcher is in power they have the effective power of veto.

Moreover, the UK government decided after the conflict that, if the colony was to survive, then it must have a sound economic foundation as well as military security. In 1976, in the first of his investigations into the Falklands, Lord Shackleton reported that, if not arrested, the economy's decline might be terminal.

There were two stages to the recovery plan. In the first place, the islands were granted £6m for rehabilitation. This period lasted from the end of the conflict until 1984. The next stage was to provide the islands with a secure future. The Overseas Development Agency (ODA) granted the islands £31m for development.

Out of the Shackleton Report came a new framework for the islands' economic development. The post of Chief Executive was created to straddle the day-to-day running of the islands and their economic development. It is now held by Mr David Taylor, a previous Chief Executive, while a successor is found to Mr Brian Cummings, who resigned abruptly earlier this year.

To co-ordinate development, the Falklands Islands Development Corporation (FIDC) was set up to add to the islands' proliferating acronyms. FIDC is currently headed by Mr Simon Armstrong, formerly of the Highlands and Islands Development Board.

The results of the development process are ambiguous. In many respects, it is hard to say that the islands have changed at all. Stanley, a pretty if rather ragtag collection of architectural styles, still has the look of a Scottish fishing village from the bay, and the smell of peat fires hangs in the air on cold spring mornings.

Nor has the quality of life improved significantly for many islanders, particularly those who farm sheep out in the camp, the Falklands term for the countryside, who are still at the mercy of the international wool market for their income. They still rely on the ships that ply the coastline for their supplies, and the only means of communication most have with the outside world is the radio in the kitchen that crackles out the local gossip.

But there is change: on the hill that rises behind the capital city, construction workers are building new, Scandinavian-style houses next to the older tin-roofed ones; many of the farmers have now bought their own land, under the government's subdivision scheme; there is a flurry of small business activity in Stanley.

It is tempting to see many of the Falklands' current economic problems as being those of success: rapidly rising wages, intense pressure on accommodation, and too much money floating about looking for development projects.

But the reality is that neglect has left the islands ill-prepared to handle the new prosperity. There are more than enough things to spend the cash on; it is a question of how to use the current opportunity to make the islands viable, a word that crops up often in conversation.

So the Falklands face major issues: on immigration, transportation, infrastructure, investment and finance. But the issues are not being adequately dealt with.

The islands' political and administrative system has hit what is variously described as a bottleneck, a vacuum or a failure of will. Part of the problem is the complexity of the issues involved. "Before 1982, a reasonably intelligent Falkland islander – the equivalent of the man on the Clapham omnibus - could probably understand most of the issues. There is no way that can be so now," says Mr Taylor.

There is always the Falklands factor, a compendium of the obstacles of distance, communication and the terrain; but to this have been added the interlocking bureaucracies of London and Stanley, the international political angle, and now fishing, a subject of which few of the Falkland Islanders or their expatriate advisers have experience.

There has been a lack of direction from the councillors on Legco, the islands' parliament, and Exco, its cabinet. "It's hard to find anyone prepared to make decisions," says Mr Armstrong. The problem, in his view is "a mixture of difficulty in seeing the whole picture...and the sheer complexity of things."

This prompted Mr Armstrong, "rather cheekily" as he puts it, to commission a report on long-term development options from Environmental Resources. The so-called Prynn report was another to add to the stack of consultants' reports, reviews and surveys which the islands have collected. Its aim was to galvanise councillors into acting.

Action on this document, however, is not helped by the islanders' lack of expertise or management skills. They lack the political maturity to make the decisions which will shape the next 10 years. But these will increasingly be their decisions, rather than those of expatriate advisers and the UK government.

Next year, when the ODA money runs out, all the cash which the islanders will spend will be their own. This is already sparking a spirit of self-determination in some of the more politically aware islanders: they do not want their money wasted, as some believe it has been in the past.

The Falklands has its own political party, Desire the Right, which seeks to put forward a coherent islanders' platform. "We see ourselves as a national unity party," says Mr Mike Rendell, the party's chairman, an ex-Marine who has settled in the islands.

Mr Rendell broadly agrees with the view of councillors expressed by Mr Armstrong: "The problem is, they are loath to take more responsibility," he says. "They've got to be more positive." Desire the Right has no official representation on the islands' councils at the moment, but plans to put up three candidates at next year's elections.

Two developments are likely to be the catalysts for the new social and political attitudes of the islanders: handling the fishing industry and development of the subdivided farms.

Fishing was both the best and the worst thing that could have happened to the economy. It brings valuable revenues, but it puts great pressure on resources of manpower, time and, above all, management. Mishandling of the fishing industry has already spawned the Seamount affair, which is likely to cost the islanders several million pounds. Fishing could prove socially divisive if some islanders profit from the industry, as others fall by the wayside.

Seamount was a joint venture between Stanley Fisheries, part of FIDC, and Seaboard Offshore, an Aberdeen-based company. It bought two trawlers, both over 20 years old, for fishing in the FICZ. They were renovated at considerable expense, but the government was forced to step in and wind the project down. An inquiry has been started.

Subdivision of the large farms, and their sale to local farmers, will test the resilience of the islanders. The economic logic of restructuring agricultural capital "has yet to be proved," Mr Taylor says. The social logic is also questioned. Will subdivision create a new dynamism, or will it fragment the old system and leave nothing in its place? Already, development has put a great strain on the social system.

The question for the islanders, that is presented to them in various forms, is: how dependent do they want to be, and on whom? In the past, dependence has been a fact, rather than a choice. "One of the problems of development here is persuading people not just to be dependent, but to participate," says Mr Taylor.

Dependence on the UK will inevitably be brought into question. This may lead to Stanley and London clashing over political and economic objectives: the creation of a 200-mile fishing zone for instance, or links with mainland South America. "In the future, I hope to see more local control," says Mr Rendell, though it is clear he does not think independence from the UK is even on the agenda.

One route away from dependence was sketched out last year by Mr Tony Blake, a councillor from the islands, when he called for "a concerted drive for increased autonomy within the British sphere of influence" in a speech to the UN.

Managing the industry has proved an awkward kettle of squid

Fishing's returns and risks

SQUID HAS replaced sheep as a topic of conversation in the bars and public houses of Stanley. Though less appealing – few would want to keep a young squid as a pet, though some farms have lambs wandering round the kitchen – they are certainly more lucrative.

The Falklands discovered fish only two years ago, when the UK government hurriedly declared a Fishing Zone around the islands, the Falkland Islands Interim Conservation Zone (or FICZ) in October 1986. By February 1, 1987, the zone was operational, with a licensing system, two fisheries patrol vessels (The Desire and The Right) and a patrol aircraft.

The islands' waters are rich in several kinds of fish: hake, Southern Blue whiting, and the two squids, Loligo and Ilex, the latter destined for the lucrative markets of South-East Asia.

The problem from the beginning has been two-fold: how to control the zone, ensuring that fish stocks were conserved and intruders kept out, and how to manage the development of the industry and its impact on the islands.

The first problem seems to have been handled well. A study by Imperial College's Renewable Resources Assessment Group should confirm by the end of this year that the main aim of conservation has been handled competently, and the success of the patrol vessels at enforcing the zone has been marked by three prosecutions in the last year.

The licence system is designed primarily to conserve stocks. Once the levels of fish have been ascertained, the number of applications and their fishing capacity are assessed, and the two are matched.

But managing the industry has proved to be a very different kettle of squid. Initially, the means of controlling its development and maintaining a steady flow of investment into the islands was a two-tier licence system. Fishing companies paid a straight licence fee, with a premium paid into a joint venture. Of this 51 per cent was held by Stanley Fisheries (SFL), a unit of the Falklands Islands Development Corporation, and the remainder by the companies themselves. The system was adapted from a similar scheme in New Zealand.

The joint venture system has now been scrapped. Though existing joint ventures may continue, there will be no new ones, and a question mark hangs over SFL.

The ostensible reason for dropping the scheme is that Falkland Islands Government (FIG) wanted more control of the fishing income. Certainly, SFL had mushroomed very rapidly into a body with an income nearly as large as the government itself; and its management structure was inadequate to contain this growth. Moreover, some of the ventures seemed only loosely related to the industry, and others were badly mishandled.

The islanders feel, with some justice, that they have been cheated. Little profit from the joint ventures has filtered through to the inhabitants. Many people want to get their hands on the goose laying the golden eggs, rather than just the rent

Mr David Taylor, the Acting Governor, is quite frank about the weaknesses of the system, which, he says, "was not thought through. The management was not strengthened in the way it should have been," he adds, "and there was a degree of artificiality in the way some of the money was spent."

The most public failure was the so-called Seamount affair. A fishing joint venture of the name was formed with Seaboard Offshore, an Aberdeen company. It purchased two trawlers, and refurbished them. But a combination of accidents and problems with the trawlers meant that neither could be used successfully, and the project imploded. FIG called a halt earlier this year, with total costs estimated at £9m – no small sum. An inquiry has now been launched.

The end of the joint venture system is partly a product of such problems. But it is also a mark of the uncertainty that hangs over the government's policy on developing fisheries as a sector of the economy. To resolve this, the development corporation commissioned a report from Mr Peter Prynn of Environmental Resources, a London-based consultancy, which should be ready later this year.

One option is to turn fisheries into the core of the economy, putting investment into infrastructure and shipping in immigrant labour to handle the industry and its associated development. Another is to let the industry stay offshore, with minimal involvement of the islands, and simply keep the cash for investment elsewhere in agriculture and tourism, for instance. Thirdly, the islands can simply keep the licence money, put some into social expenditure, and invest the rest in secure funds.

But the Prynn report will not determine the course of the fishing industry. "We don't regard it as a blueprint," says Mr Taylor. Ultimately, the decision will be up to the islanders.

The islanders feel, with some justice, that they have been cheated of much of the fishing money that is rightfully theirs. The joint ventures worked very much to the fishing companies' advantage, they say, enabling them to buy ships or other assets, and little profit has filtered through to the inhabitants.

Growing local involvement in the fisheries is one sign that things may be getting out of hand. Many of the local companies that have come together to invest in fisheries are well founded, adequately capitalised and well-managed. Some are not. The islanders have little maritime tradition, and less experience of fishing.

Some of the companies that have so eagerly gone fishing will undoubtedly not get their licence applications approved. Others will fail when they start operating. "Many people from the local community who want to get involved in the fisheries sector are not wholly realistic," says Mr John Jackson, chief fisheries officer.

It is quite evident why the islanders want to get in on the act: cash. The licence fee brought in £14m during 1987. But during the same period, fish worth more than £500m was pulled from the sea. The Prynn report notwithstanding, many people want to get their hands on the goose laying the golden eggs rather than just getting the rent.

This is bound to intensify pressure on the licensing system. There is already disquiet about it from some quarters, and cynicism about the criteria for allocations is rife in Stanley. The system is not at all transparent: because demand outstrips supply, but conservation takes priority over market forces, there is a "delicate balancing act" for every licence, says Mr Jackson.

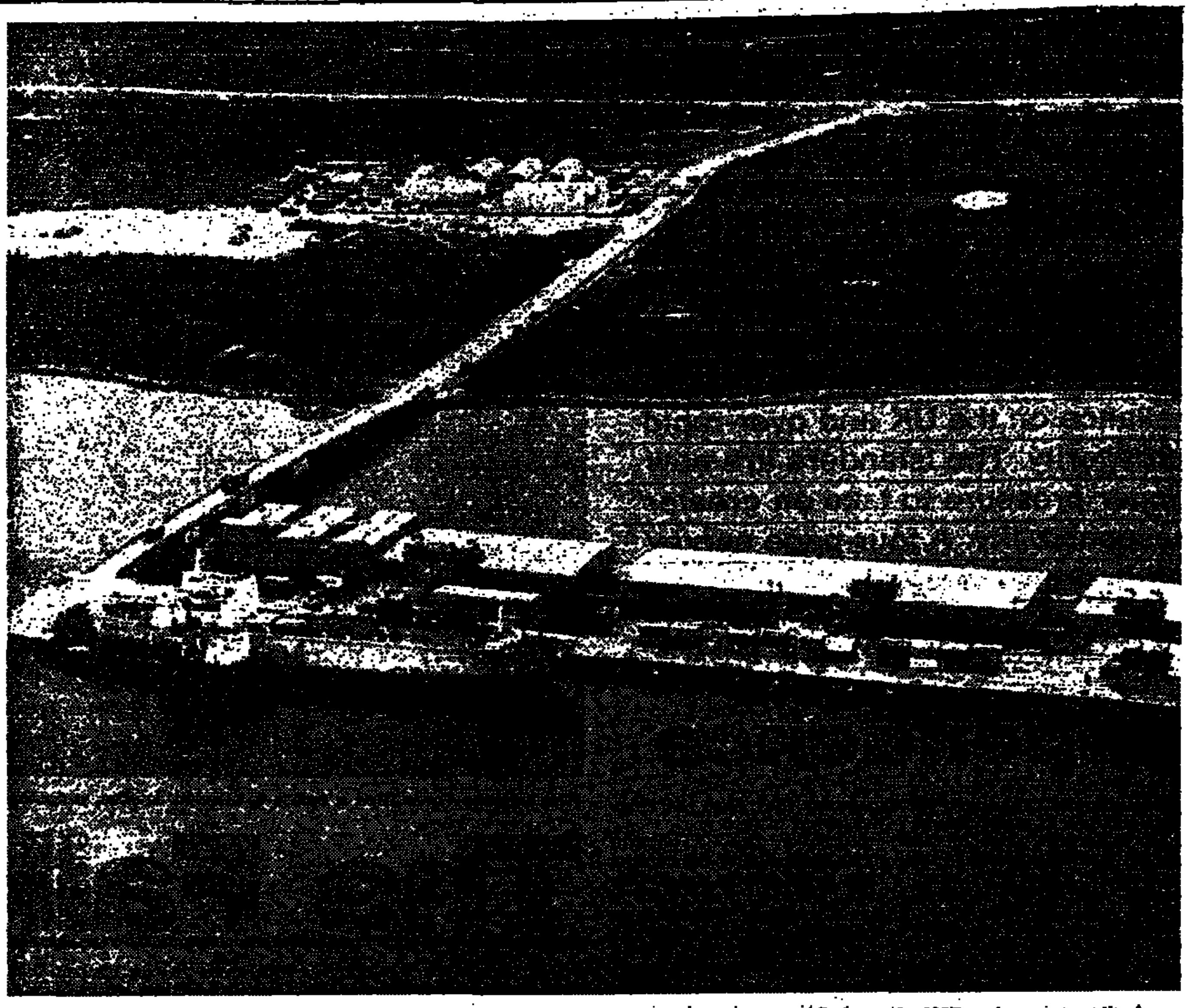
A variety of political factors has to be considered, including the links that each company has with the islands, though Falklands-based companies have priority. This has raised concern that some local companies might just buy licences, and then sell them on – acting as arbitrageurs and taking the profit.

The licences are decided ultimately by the islands' executive council: but some councillors are also involved in fishing. But how can the fishing lobby be excluded from politics?

Though there is nothing to suggest that any councillor has acted against the best interest of the islanders, and they are scrupulous about leaving meetings where fishing issues are discussed, the phrase "conflict of interest" is already being whispered.

There is also a rumbling of discontent from the islanders that the zone should be extended from its present 150 miles to 200 miles, in line with other countries. The risks of doing this – it would take the zone right up to Argentine waters for a large section of its circumference – are considerable, but so would be the gains. It would take in a much larger area of the squid waters.

Risk and return will be the measure of much that the fishing industry brings to the Falklands. At the moment, the returns are clearly winning; but at the back of their minds, many of the more cautious islanders are rethinking the risks.



The Falkland Islands Port and Storage System (FIPASS) was bought from the Ministry of Defence in 1987 and serves as the base of operation for the Fisheries Department

AGRICULTURE

The big farms are split up into smallholdings

FARMING IN the Falklands has never been a soft option. The land is not good, requiring several acres for each sheep; the weather is unpredictable, offering several seasons in the space of a day; and the market for wool is determined far away, by forces that seem unrelated to the live of a shepherd in camp – the Falklands term for the country outside Stanley.

But for the Jonsons, the Clarkes, the Whitneys and the Mays, farming families at Douglas Station, a 94,000-acre farm on the north of East Falkland supporting 30,000 sheep, life is about to become much harder, and they are paying for the privilege.

Since the late 1970s, most of the large farms that dominated West and East Falkland have been subdivided and sold off to the former farm workers. Douglas Station, previously the property of Harry Cam, a businessman from Jersey, was bought earlier this year by the Falkland Islands Government.

The new owners are now easing themselves into place. For one season, the farm will operate as a co-operative while the flocks are balanced out and the fencing-off is achieved. The families who farm outlying settlements, the Jonsons and the Mays, will also have to move their home and all their belongings, a not inconsiderable task when the terrain is so rough.

Subdivision has had a major impact on the working lives of the farmers. Where before 40 people would run a large farm, now four or five families have fewer acres each to look after, and none of the support that came from the old system.

Before, each farmer was given accommodation, peat, milk and meat – the essentials of life in camp – as well as pay, or more often cash in hand. Now each individual farmer must cope for himself: the accounts must be done, peat must be dug, stores ordered, and the day-to-day life of running the farm still has to go on.

Subdivision and sale of the large farms were key recommendations of both the 1976 Shackleton report and its updated version in 1982.

The old farms, though often well managed, did not always have the commitment from the owner that was necessary. The farms had often started out as the property of one family, and then the ownership became diluted by inheritance and sale; boards of directors in London sometimes cared more about profits than people. The farms suffered from a lack of investment – and a lack of interest.

The economic rationale for subdivision is the restructuring of the farms' capital. Many of the large farms carried much of their capital in the form of stores, food and housing for farm workers, a self-sufficient unit. Subdivision forces greater self-sufficiency, and restructures the capital. It also brings the whole family into the farm's workforce: frequently, the women of the house now do the accounts and handle the business end, while the men tackle all the elements of farming, including activities like carpentry which would have been done by the handyman.

The process of changing the mix of labour and capital began in the 1970s, with the arrival of itinerant shearing gangs on the islands. It was given a fresh boost by the arrival of new machinery – Land Rovers, motorbikes etc. – after the war. Now, the subdivided farms are much tighter enterprises and many farmers choose to increase their productivity by raising the numbers of sheep.

The economic background is often unstated when the issue is discussed in public. The political argument sounds more compelling. Subdivision gives the land back to the people who farm it. For the first time, many feel they have a stake in the islands' future. But many of the islanders do not wish to be landowners: they were happy on the farms, and many have nowhere to go now.

Subdivision gives the land back to the people who farm it. For the first time, many feel they have a stake in the islands' future. There can be little doubt that subdivision was thought politically correct in London. But its success remains to be seen

The big farm system did breed a way of life: "The effect of that system was to produce a people who looked to the Great House," says Mr David Taylor, the Acting Governor, "as long as they lived in the camp."

Nearly all of the old-style landowners have gone now. What remains is the Falklands Islands Company (FIC), albeit with its land reduced by about half from 42 per cent of the islands' area to 27 per cent.

FIC's range of activities has extended in other areas; but its presence on the islands, once overwhelming, has now been reduced to a stretch of land taking in all of the southern half of East Falkland and a strip across the north part – ironically, roughly co-extensive with the land sold to FIC by the Lafonia brothers back at the turn of the century. "FIC has retained the best of the land it owned," says one Falklands agricultural expert, though others dispute this.

The government emphasises that each land sale was voluntary, and that a good price was given. But there can be little doubt that subdivision was thought politically correct in London: it had the great advantage of easing out some of the vested interests, and ensuring that overseas interests were not seen to benefit too directly from the money that poured into the islands after the war.

The success of subdivision remains to be seen. Economically, "the case is not proven," says Mr Taylor.

Efforts to make the farms more profitable are being made by the Agricultural Research Centre, successor to the Grasslands Trials Unit. The main emphasis has been to raise the survival rate of sheep through reseeding. But the costs of reseeding are high, perhaps too high for already financially hard-pressed farmers, and the results are still in doubt.

The work of the ARC, like that of the farmers, has been a slow slog, and is likely to continue that way. "There is never going to be any dramatic improvement," says Mr Ian Dickson of ARC. "What has to be done is to find out more about the biology, and look for small improvements."

A second stage of subdivision may now be beginning, with some of the original subdivisions changing hands, and some farmers even looking to rebuild the larger farms through acquisition.

The biggest impact, yet to really crystallise, will be on the islands' fragile social system. There is little cultural tradition to safeguard the way of life. Camp society rested on the large farms with their close-knit communities, with each farmer trekking across country regularly for social occasions.

The other strand which held things together was the frequent interchange of labour between farms: families now at Douglas have previously been at Port Howard, San Carlos and various FIC farms on West Falkland. This is unlikely to happen so frequently now each family is self-contained.

Another change will be the islands' new telephone system, connecting all the farmers by cellphone. It may be a quicker means of communication; but one cannot gossip with several other farms, or simply listen to chatter, in the same way that camp residents do with the existing two-metre radio ham network.

In the end, whatever the fate of the fishing industry or the islands' other new ventures, it is farming that will determine the islands' future: not only because it is the backbone of the economy now, but because it is the camp that determines the social structure of the islands.

"I hope that one of the effects (of subdivision) will be the creation of a class of independent-minded energetic individuals who have a stake in the land," Mr Taylor says. That in turn depends on the mathematics of the new enterprises working out.

In his living room in Douglas Station, Mr Carl Jonson echoes these sentiments: "It's what we've wanted for a long time. So long as we have our place, and can work it for ourselves, we're happy."

Effect of the military presence

Price of safety from the Argentinians

The old barracks at Moody Brook, which was seriously damaged in the 1982 conflict

THE FALKLANDS are full of strange contrasts; but the most striking is that between Moody Brook barracks, home of the islands' Royal Marine detachment before the 1982 conflict, and Mount Pleasant Complex, the new garrison.

There is nothing particularly complex about Moody Brook. Though some of it has been bulldozed – it was liberally sprayed with machine-gun fire and damaged by Argentine grenades in 1982 – enough remains to give a good idea of the buildings. They would be familiar to any national serviceman; drab grey, concrete bunkhouses like cowsheds, and corrugated iron sheds. They are now deserted, standing at one end of Stanley Sound with the wind blowing wistfully through them.

A company of Marines was based here in 1982. When the Argentinians arrived, though the Marines gave a good account of themselves in a short battle around the Governor's residence, their armaments and their numbers were woefully inadequate. They had no air support, no prepared positions, few supplies beyond some rolls of barbed wire, little communications equipment and no naval support bar the Endurance, which was stuck miles away at South Georgia.

One of the principal reasons why the Argentinians thought they would be able to get away with the attack on the islands diplomatically was because of this seeming lack of attention to their defence. The Marines were intended to act as a "tripwire;" but the wire was not, it seemed, attached to anything. If the military presence sent out any signal at all, it was one of a lack of interest.

The semiotics of Mount Pleasant, the home of British Forces Falkland Islands (BFFI or "Biffie" for short) are very different. The base sprawls across an area of some five square miles in open country, 30 miles from Stanley. At its heart is an 8,500 ft runway capable of taking nearly any aircraft. This is surrounded by a neat arrangement of buildings, including a large hangar for the TriStars which commute the 8,000 miles from Mount Pleasant Complex to London, smaller dispersal hangars, taxiways, radar installations, air defences, an air traffic control tower and store buildings.

Though the forces are insufficient to hold out indefinitely against a major attack, they could be reinforced from the UK via Ascension Island

The main accommodation and administration offices are housed in the "Death Star", named by its residents after the huge orbiting battle station in "Star Wars." Scandinavian-style wood panelling and double glazing contain labyrinthine miles of corridors, connecting offices, messes, gyms and even a solarium.

Mount Pleasant represents a far more sophisticated equation of style, force and manpower than Moody Brook. Though the military will not discuss force levels or deployments, there are believed to be about 2,000-3,000 soldiers, sailors and airmen at Mount Pleasant, the naval base at Mare Harbour, Rapier and Javelin anti-aircraft batteries dotted around the islands and three hill-top radar stations.

The main terms in the military equation are deterrence and time. The size of the forces deployed on the Falklands is intended to be formidable enough to deter any further Argentine attempts to enforce their claim to the islands, and to signal British determination to defend their own claim.

Though the forces are not in themselves sufficient to hold out indefinitely against an attack of the size of the 1982 Argentine force, if the runway at Mount Pleasant Airport (MPA) can be defended for 24 hours it would theoretically be possible to reinforce them by air from the UK via Ascension Island. This was tested earlier this year in Fire Focus (Falklands Islands Reinforcement Exercise), which received a rather unfortunately large amount of publicity.

The runway is thus the key to making the strategy work. There is a field squadron devoted full-time to maintaining and repairing the runway, and large parts of the base are given over to the storage of machines and material for this end.

For the air defence of the islands, there are F4 Phantom fighters – no figures are available, but there are believed to be four – and several C130(K)s, Hercules transport aircraft modified for inflight refuelling. The ageing Phantoms are considered ideal for the task allotted. They are relatively easy to service, not unimportant when the UK is so far away; and they pack a powerful punch.

The Phantoms are backed up by an impressive array of radar and communications technology, and an estimated 200 troops. In addition, there is a naval force comprising at least one frigate, and possibly a submarine.

The tripwire is now the circumference of a 150-mile circle, the Falklands Islands Protection Zone, which comes within 200 miles of the Argentinian coast at the south-west. There is a need for great flexibility in patrolling this area. Though the last threat came from a major invasion, previous incidents in the 1960s have involved airliners hijacked by ardent nationalists. Moreover, the possibility of a lone wolf attack by an Argentine pilot cannot be ruled out.

There are some reasons to wonder whether the reinforcement exercise would be practicable under hostile conditions. The prospect of a huge British airborne force arriving to find the runway under Argentine control, or badly holed, forcing it to circle under fire for a couple of hours, is not pleasant.

But the main problems with the strategy are not primarily military. They emerge from the fact that the military equation is only part of a much more inexact and complicated calculation. The military fights shy of the political implications of its presence. However in reality, it is just one corner of a triangle connecting London, MPA and Buenos Aires.

The first problem comes from the changing mood in London. Though it is highly unlikely the present government will remove MPA, especially after the cost of establishing it, there is a risk that spending will be shaved.

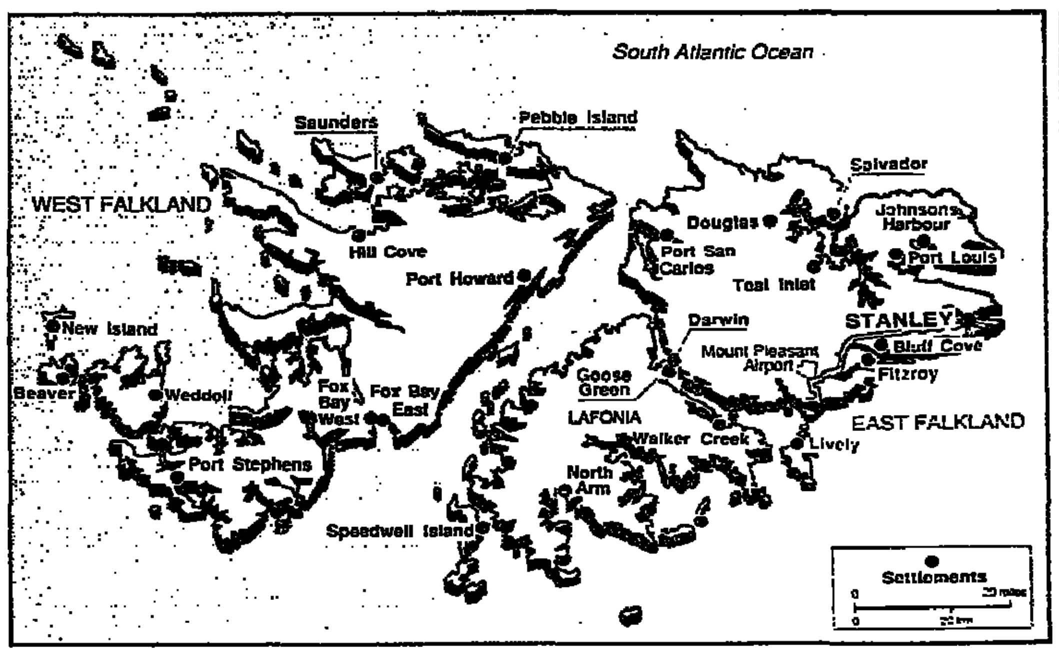
Four Phantoms are probably the minimum needed to defend the islands; in other areas, some officers are already complaining of underfunding. Force levels were cut as a result of a review some 18 months ago.

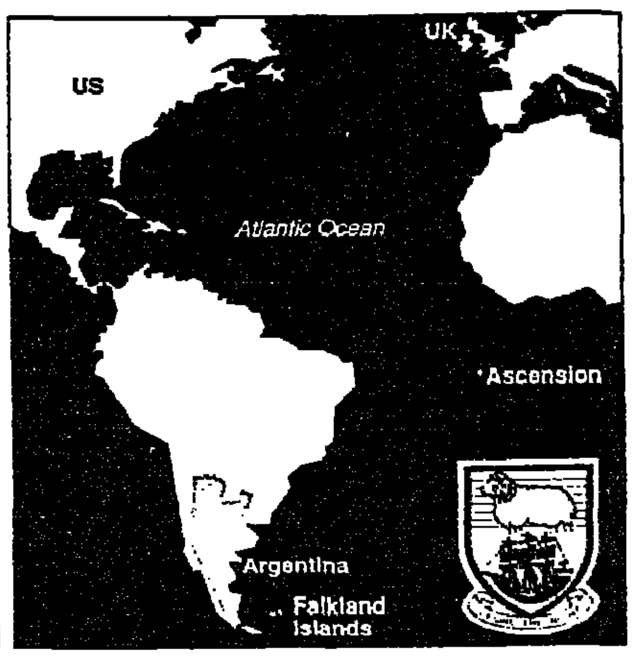
The second problem is one of intelligence. Force levels and deployments are highly dependent on accurate, rapid information about Argentine intentions, which need to be correctly and sensitively analysed.

This process has been notoriously at fault before. The UK has consistently underestimated the strength of Argentine opinion, and their belief in the justice of their claim. The original invasion was one obvious case; but Fire Focus also revealed a British misreading. Considerable anger was caused in Latin America, and not just in Buenos Aires, by the exercise, and some British diplomats now admit that the affair was mishandled.

The third problem is defining the relationship between the military presence and efforts to achieve a solution to the problem of disputed sovereignty. In this context, the diplomatic costs of demonstrating Britain's military strength are high. The Argentinians, rightly or wrongly, see the BFFI as contributing to the instability in the South Atlantic, and something of a vicious circle is created: the British will not withdraw until there is some kind of diplomatic solution, but the military presence makes that solution doubly unlikely.

The very existence of the Falkland Islands Protection Zone, and the British forces that patrol it, is a direct affront to Argentinian pride. Though the British forces are considered necessary in London and Stanley to protect the islands, there is little doubt that their presence keeps temperatures several degrees higher than they might otherwise be.





The memorial to the 1914-18 war dead in Stanley

More than five years ago: Members of "Y" Company, 1st Battalion The Royal Hampshire Regiment, known as "The Tigers" turn out to greet Mrs Margaret Thatcher, the British Prime Minister, on her visit to Goose Green, East Falkland, in January 1983.

CIVILIAN-MILITARY RELATIONS

Why traders moan

"THE civilian-military interface" is the rather clumsy name which the military at Mount Pleasant give to relations with the islanders.

In the days before the conflict, with only a small number of Royal Marines at Moody Brook, this was a simple business: *the Marines would go* into Stanley, a mile or so down the road, have a few drinks and get to know the locals in one of the pubs or hotel bars. Often the civilian-military interface became so personal that it led to marriage.

After the conflict, the military stayed in Stanley until the Mount Pleasant Complex was constructed. Then they moved, lock, stock and barrel – bar a *small detachment which* remained in Stanley, largely medical staff and the Explosive Ordinance Disposal detachment.

Now, nothing is quite so simple. Mount Pleasant Airport (MPA) is a very rough one-hour drive from Stanley. Indeed, the base was deliberately sited some distance from Stanley, partly because it would take the site of a future *conflict away from populated* areas, partly because the impact of a base that contained more than twice as many soldiers, sailors and airmen as the population of the city would have been unhealthy.

All of the islanders are grateful for the presence of the garrison, which represents not just a guarantee of security but a mark of UK commitment, and overall the relationship is very good. It is obviously much closer and friendlier than in other overseas postings.

The military has assisted in *construction, staffs the local* hospital, firefights, helps in training, and generally makes an effort to be all-round good chaps. During the lambing season, for instance, aircraft carefully circumnavigate "Sheeptams" – a pun on the aviation term "Notams" which denotes areas to be avoided.

Relations with farmers in camp seem to be good. The soldiers who periodically appear *are greeted warmly, except* where their BVs (large tracked vehicles) tear up hillsides.

But relations are not what they might be with Stanley and with people who use MPA regularly. The moans are few, but quite vocal, and largely concern the air service and the associated mail service. Some local business people feel that preference is given to military mail, the 9,000 or so "bluies" *(free airmail letters) that flood* out of the garrison every week.

Some local traders, too, feel the military could do more to cement ties. MPA buys little from Stanley, importing nearly all of its goods from the UK. Local butchers would like to sell meat to the military, and the hydroponics farm would dearly love to sell more fresh produce. But officers claim they have problems getting the standards and the consistent supply that they need.

Pricing is also a problem. "If they offer the salad stuffs in *the right way, the right quality* and the right price, then we're definitely interested," Col Mike Squires says.

Frequently this is not the case. "We're not necessarily going to be interested in paying the same prices that the Falklanders themselves pay for fresh vegetables."

There are relatively few discipline problems that affect the local population. The average *posting is only four months* and the duties are hard.

But the short postings, local people point out, also mean there is often no time to build up relationships, whether of the business kind or at a more personal level.

The military is, in many ways, caught in a cleft stick. If soldiers get too involved in the local community, they could swamp it. If they stay out of *local affairs, they are also criticised*. There is also something of a problem in defining their role to the satisfaction of the local business community. Many of them clearly see MPA as a civilian airport with military functions.

The weather is temperate — and the main attraction is the wildlife

Hard task of winning over tourists

THE Falkland Islands may not sound like the ideal venue for a relaxing holiday. For most people, the Falklands conjures up the war and the much-maligned weather, and little more that is inviting.

There is no prospect – fortunately for the inhabitants of Stanley – of a flood of pleasure-seekers turning Falkland Sound into the new Costa Del Sol. But if Mr Graham Bound and his enterprising staff at Falklands Islands Tourism (FIT) have their way, the trickle of visitors will expand over the next years to a steady stream.

The islands are fairly bleak, with virtually no trees. But they are also strikingly beautiful, with miles of open, rolling heathland, interrupted by long mountain ranges topped by sharp quartzite peaks. The jagged coastline is a mixture of white sandy beaches and spectacular cliffs, crowded with penguins and seabirds. There is excellent trout-fishing on several of the rivers – among the best in the world.

Before the conflict, visitors from Argentina were a useful source of revenue for the islands. Several thousand came each year to breathe what they considered the sacred air of the Malvinas. More prosaically, they made the trip to buy goods that were unavailable on the mainland. That has now ceased; there are no direct transport links with Latin America.

The new wave of tourists is mainly from the UK, and it represents a more difficult and far-away market. FIT has a stiff task persuading people that the islands are more than "a wind-swept pile of rocks in the South Atlantic."

Certainly, the weather is rarely warmer than a British summer, and a stiff wind blows in from the west. But the winters are never as bad as those in Britain, and during the summer, the clear air brings brilliant azure-blue skies and a great deal of sunburn for the unprepared.

Nobody is ever likely to consider the islands a sun-trap, though. Their main attraction is the abundant wildlife, much of it unique to the Falklands. FIT has concentrated on attracting "twitchers," keen ornithologists who will happily pay the relatively large sums involved in getting to the islands for a glimpse of a red-backed hawk at close quarters.

Much of the accommodation and facilities provided have them in mind. Though the range of bird and animal life is wide throughout the islands, it is particularly spectacular at Sea Lion Island, one of the more remote settlements, where the rare Striated Caraca (or "Johnny Rook") can be seen. A lodge has been built on the island.

There is also tourist accommodation at Port Howard – where the former farm manager's house has been transformed into a country hotel – atSalvador, Chartres and Pebble Island, all of quite a high standard. Each caters for different interests; ornithology, fishing, riding, and walking are the main pursuits offered.

For some visitors, the islands' more recent past is also a source of interest. One company, the splendidly titled Major And Mrs Holt's Battlefield Tours, takes out parties to view Tumbledown and Mount Longdon, names that entered British military history during the 1982 conflict.

The industry's birth is proving difficult. Tourism competes for scarce resources of labour and capital, and it co-exists, more or less uneasily, with the farms' other business, sheep. Getting the commitment, expertise and money required for what is still a loss-making business is hard.

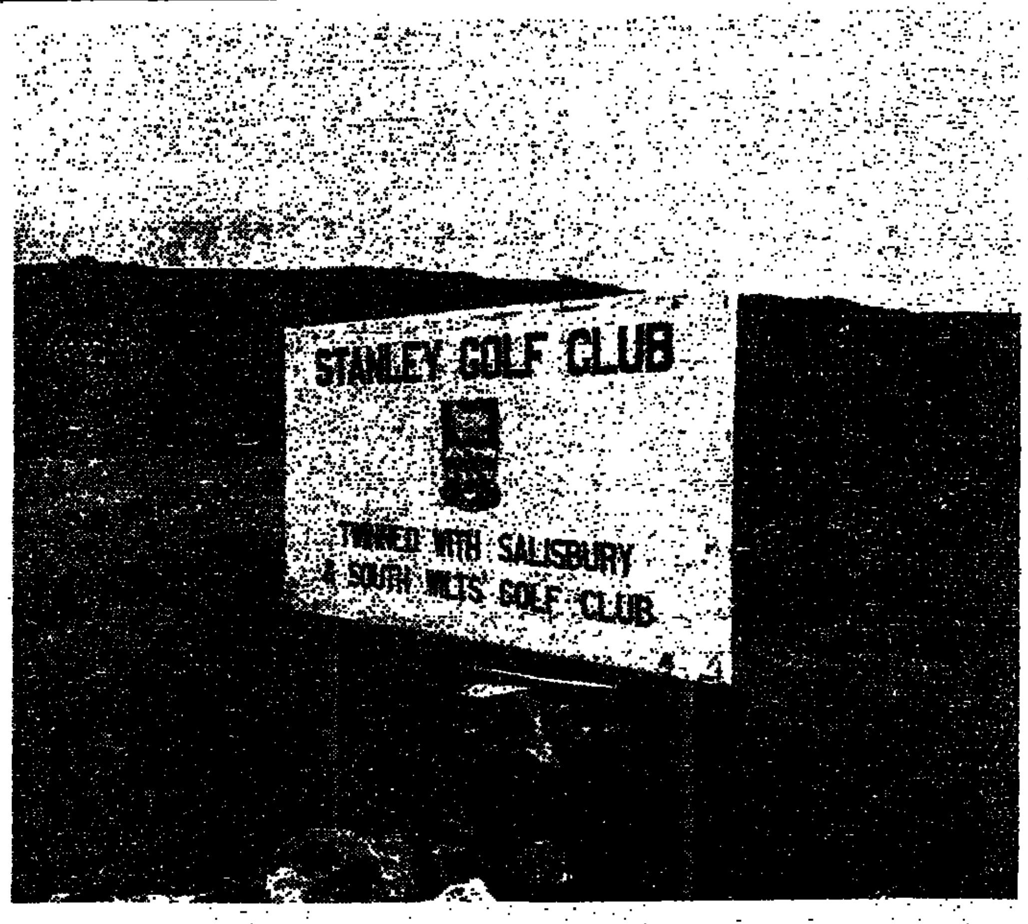
The cost of a sojourn in the Falklands – unless it is courtesy of Her Majesty's Armed Forces – is considerable. Though accommodation is relatively cheap, the two flights a week are in RAF TriStars, from Brize Norton in Oxfordshire. The tariff is not geared to tourism, and it has proved a significant deterrent; relations between FIT and the Ministry of Defence over this are not as good as they might be.

The islands' reliance on the RAF is troublesome in other ways, too. Flight timetables are liable to be altered at short notice; and inevitably tourists are low on the RAF's list of priorities since there is no alternative means of supplying the garrison at Mount Pleasant Airport by air.

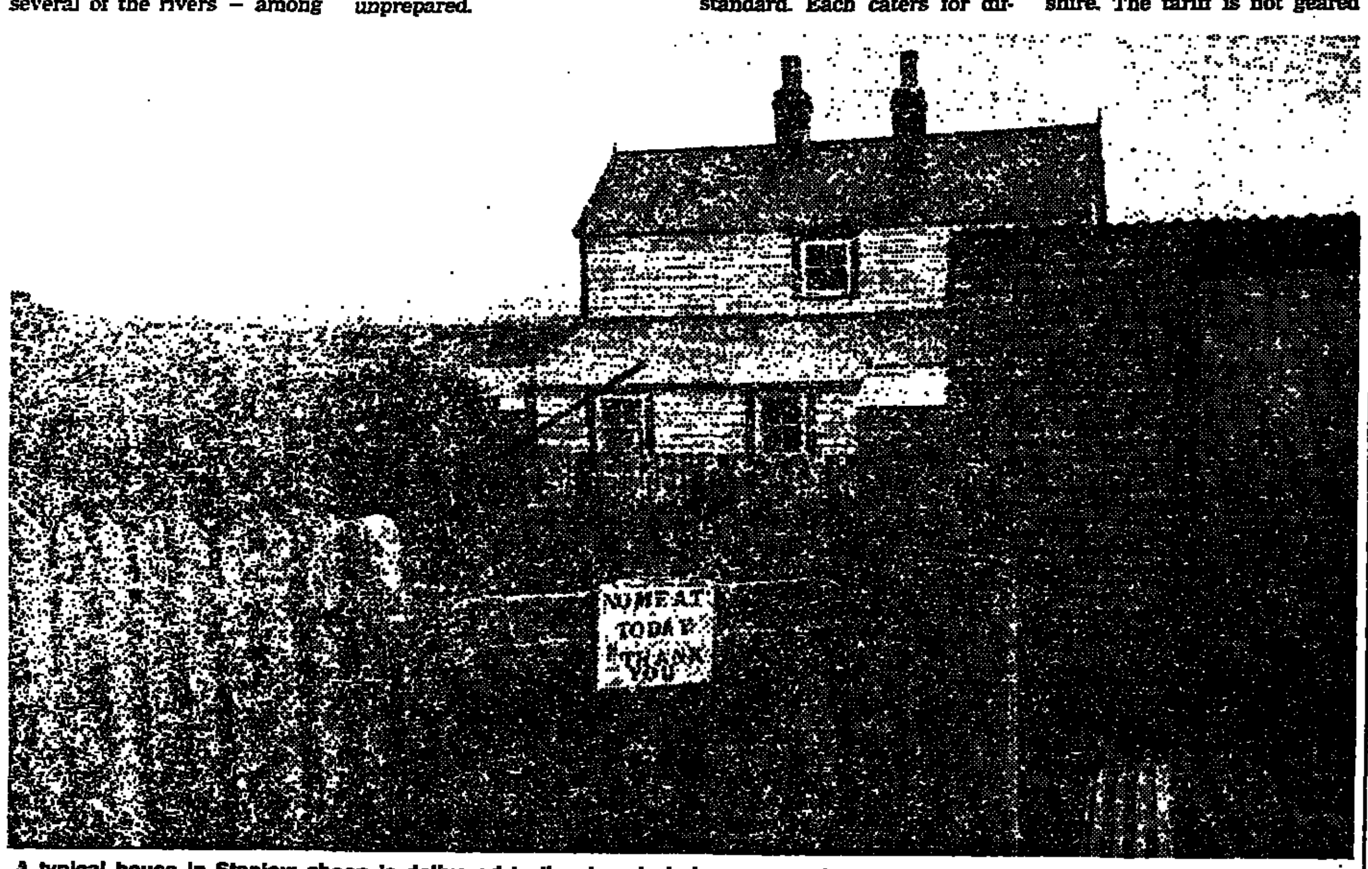
This severely limits the possibility of expanding into the American market: few tourists will be willing to carry out a huge dog-leg from the US to London and then to Mount Pleasant. Transport links will determine the long-term future of tourism.

In the longer term, tourism is also dependent on maintaining the often delicate balance of nature, which means that conservation is an important commercial principle. FIT boasts that in the Falklands: "Nature is in charge."

Contact: Falkland Islands Tourism, 294, Tadcaster Rd, York YO2 2ET Tel 0904-702059.



In Britain they twin towns: in Stanley, they twin golf clubs. An unusual reminder of England for expatriates and others – on a golf course some way outside the Falkland Islands capital



A typical house in Stanley: sheep is delivered to the door in halves or quarters

THE PROFESSIONS

The people who have filled the expertise gap

IN AUGUST this year, Gavin Farquhar had his allotted 15 minutes of fame. As the first private lawyer in the Falklands, his curiosity value brought him coverage in several national newspapers. But the establishment of a lawyers' practice is part of a much more significant process of business development, and professional services are playing a key role in the maturing of the islands' economy.

This does not mean that the Falklands will become the latest imperial outpost of the yuppie. Though the Barbour waxed jacket is a common sight on the streets of Stanley, and much of the talk is of the property boom, the economy is always likely to rest on agriculture with perhaps the addition of fishing.

But rapid development of these industries requires commercial expertise. The Falklands are experiencing the growing pains of a young economy, and some of the strain is being taken by the growing professional class.

Something of the flavour of the contrast that this brings to Stanley can be gleaned from the local radio station, Falkland Islands Broadcasting Station (unfortunately abbreviated to Fibs). The local announcements at 7pm begin with an advertisement for a shepherd and farm hand at Goose Green; this is followed by a vacancy for a computer programmer, with statistical experience and knowledge of complex computing systems.

When the islands were a small, rather sleepy rural community, they did not need much in the way of professional services. Those that were required – accountancy, banking, legal services – were done either within the government or by the large landowners. Thus the Falklands Islands Company (FIC) and the government savings bank between them provided banking services; the Attorney-General provided all legal services; and accounting was done on a part-time basis.

But the post-war development process, and latterly the arrival of fishing money, has changed all that. The Falklands now have a severe shortage of professional expertise in a range of areas. There are few local people with the relevant training, and the education system is not geared up to produce them.

The expertise gap has been largely filled by the ever-present consultants or by contract staff. But many of these services are now available from companies which have set up shop in Stanley, with the encouragement of the government. This is partly a question of expanding choice – in some areas, the only choice outside the government – and partly a question of providing professional strength in depth for the government itself.

Since Stanley is such a small town – even though everyone chooses to go everywhere in it by Land Rover – all of the people involved in commerce work in close proximity. On John Street, Mr Farquhar, of C. & P.H. Chalmers of Aberdeen, shares a bright modern office with Mr Andrew Dey of Consultancy Services, a subsidiary of Pannell Kerr and Foster.

The Falklands Islands Government has played a delicate role in promoting this process. "FIDC, with FIG's approval, has encouraged the growth of professional expertise," says Mr David Taylor, the Acting Governor.

In the first place, the expansion of the pool of trained local labour assists the government directly in some of its work. Both Mr Farquhar and Mr Dey say that much of their work is concerned with the government. FIDC, which is involved in a range of legally delicate work, often with important financial implications, is Gavin Farquhar's main client.

The legal system is related only indirectly to the UK's and the tax system is quite different

Secondly, the expansion of professional services acts as a catalyst for the islands' economic development. Legal, financial and banking services are the backbone of the new small businesses in Stanley itself, such as butchers, hotels, shops and construction; but they are also necessary for the new fishing companies which are springing up overnight.

Mr Farquhar is quite a commercial missionary, saying that "part of my role is to engender a spirit of private enterprise." This involves "bringing people together to promote common interests as well as to promote the islands' welfare," he says.

Mr Dey at Consultancy Services is also involved in playing a more direct role in economic development than an accountant in a small community might expect, working for local fishing companies as well as the islands' first independent restaurant, the much-loved but short-lived Monty's.

The process of "importing" professional expertise has not been uniformly successful. Standard Chartered Bank has, by most accounts, not had a happy time despite the determined efforts of Mr Joe Marsh, its manager. The bank was unwilling to come to the islands in the first place, because of the political implications; and though relatively successful since, it may lose its monopoly position when the question of the banking licence is next reviewed.

In other companies, some individuals have not found themselves in sympathy with the islands. Certainly they are far from an easy place to do business, 8,000 miles from the major market with few of the amenities of a London or Aberdeen street. Communication should ease with the introduction of the new phone system, but the for the moment international lines are difficult to obtain. Office space is increasingly expensive, and secretarial labour is scarce.

Mr Farquhar's office is largely run by Ms Sheila Butler, a young Falklander who studied in the UK for qualifications to become a legal secretary. "The best thing I ever did," he says, "was appoint Sheila." She has also helped him to understand the local community, and to ease some of the problems of being an outsider.

It cannot be assumed that the Falklands is merely an extension of the UK business environment. Mr Farquhar is working with a legal system that is related only indirectly to the British system; and the Falklands tax system is quite different from that of the UK, though it is simpler in the main and the tax rates are simfiliar.

A more important structural problem which emerges directly from the size of the islands is the potential for conflict of interest. For instance, Mr Dey has found himself on occasions working for more than one bidder for the same contract.

When this conflict of interest concerns working for the government, it can be even more problematic. Thus Mr Farquhar would be professionally unable to take action against FIDC, since it is an existing client. "It is inevitable that there are a number of instances where you take note of the conflict of interest, and act accordingly," he says.

But expanding the range of choice would be tricky: the Falklands could not sustain two lawyers, and it is impractical to erect Chinese walls in a company of two people. The solution rests on the probity and professionalism of the people involved. Combined with the pace and variety of the work, this imposes quite a strain.

The second problem is the lack of local involvement in providing services. Nearly all of those concerned at the moment are expatriates from the UK. If the process of development is to prove sustainable, then local people must take up opportunities, not only to participate in business, but to work with it. Few seem interested at the moment, though Mr Dey is investigating the possibility of providing accountancy training.

In the future, the main challenge will be to involve the local community more, not just in starting its own businesses but in providing the expertise necessary to maintain the islands' prosperity. Too many people in the business community are expatriates at the moment: Friday night in the bar of the Upland Goose, where many of them meet, is like an evening at an Edinburgh public house.

DIARY DATES

Trade Fairs and Exhibitions: UK

November 8-10
World Trade Services (Freight & Export) Exhibition and Conference (01-727 1929)
NEC, Birmingham

November 8-10
Accountants and Banking International Exhibitions (01-749 9535)
Barbican

November 12-16
International Woodworking Exhibition - WOODMEX (01-486 1951)
NEC, Birmingham

November 15-17
Food Ingredients Europe Exhibiton and Conference (0483 426608)
Wembley Conference Centre

November 22-27
Antiques Fair (04447 2514)
Barbican

November 22-25
International Pharmacentical, Cosmetics, Toiletry and Allied Industries Exhibition — INTERPHEX (01- 891 5051)
NEC, Birmingahm

November 24-27
National Festival of Crafts (04252 72711)
NEC, Birmingham

November 29-30
Institute of Gas Engineers meeting and exhibition (01-245 9811)
Wembley Conference Centre

November 29-December 3
World Travel Market (01-940 6065)
Olympia

Overseas Exhibitions

Current
Lingerie and Hosiery Show (01-499 7291) (until November 8)
Paris

November 7-11
International Agribusiness Exhibition and Conference — AGCHINA (01-940 3777)
Beijing

November 8-12
International Technical Exhibition (including engineering, welding and chemical educational textiles) (01-486 1951)
Jakarta

November 9-12
International Home Furnishings and Appliance Show - JAPAN HOME SHOW (01-486 1951)
Tokyo

November 13-17
International Refrigeration, Ventilation, Air Conditioning and Heating Exhibition — REVAC (01-940 3777)
Jeddah

November 23-29
International Garment Manufacturing Equipment and Machinery Exhibition — GARMENTECH (01-236 2399)
Beijing

November 27-December 4
International Tourism Exhibition — TOURISTICAFRANKFURT (01-734 0543)
Frankfurt

December 1-4
Art and Antique Dealers Exhibition — VKA (01-236 0911)
Stuttgart

Business and management conferences

November 7
Euromoney: International mergers and acquisitions (01-236 3288)
The Plaza Hotel, New York

Novemer 7-8
Financial Times Conferences: The World outlook for mobile communications (01-925 2323)
Hotel Inter-Continental, London W1

November 7-8
The International Franchise Association: The elements of successful international franchising (01-630 7111)
Sheraton Hotel, Brussels

November 9
The Business Enterprise Unit: Europe 1992 - Meeting the challenge of the single market (0332 291732)
Albany Hotel, Nottingham

November 9-10
Taxbriefs: Life assurance and pensions conference (01-250 0967)
Royal Garden Hotel, London W8

November 10
International Herald Tribune: Mergers and acquisitions (01-379 4302)
Park Lane Hotel, London W1

November 11
London Chamber of Commerce: The refund of West German VAT paid by British Firms (01-248 4444)
69 Cannon St, London EC4

November 14-15
Business Research International: EC 1992-The changing face of European investment services (01-637 4383)
Portman Intercontinental, London W1

November 14-15
Financial Times Conferences: World electricity (01-925 2323)
Hotel Inter-Continental, London W1

November 15
RASE/ADAS: Harnessing the new technologies for profitable beef breeding and production (0203 696969)
National Agriculture Centre

November 16-17
Unicom: Object orientated programming: fundamentals and scope of application (0895 56484)
Mount Royal Hotel, London

November 17
IRRG: Helplines — telephone assistance for insurance and other customers (01-236 2175)
Aldermary House, London EC4

November 18
The Economist: The leadership dimension: strategies for creating tomorrow's leaders today (01-839 7000)
Cumberland Hotel, London W1

November 18-19
CLES: Local State Local Enterprise (061 834 7036)
Newcastle-upon-Tyne

November 29-30
Financial Times Conferences: Private health care (01-925 2323)
London

December 1-2
Financial Times Conferences: European business forum - 1992 and after (01-925 2323)
Grand Hotel, Rome

December 1-2
Financial Times Conferences: Venture capital financial forum (01-925 2323)
Hotel Inter-Continental, W1

December 5-6
Royal Institute of International Affairs/British Institute of Energy Economists/International Association for Energy Economics: Third international energy conference (01-930 2233)
Chatham House, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY

COMPANY MEETINGS-
Westpool Investment Trust, Carlton House, 33, Robert Adam Street, W., 3.00

BOARD MEETINGS-
Finals:
German Securities Investment Trust
Imp Cold Storage
Interims:
Associated British Foods
Brown (N)
GT Management
Hughes (H.T.)

DIVIDEND AND INTEREST PAYMENTS-
APV 1.8p
Albany Inv. Tst. 0.7p
Barclays O'seas Inv. Co. Gtd Und FRN's $203.44
Bardsey 0.25p
British Vita 2.8p
Brixton Estate 3.5p
Christiania Bank Kreditkasse Prim Und FRN's $403.85
Connells Estate Agents 3p
Conversion 9¼pc 2003 4⅞pc
Dagenham Motors 1.5p
Enterprise Oil 4.5p
European Home Prods. 2.5p
Hobsons Publishing 2.3p
Hydro-Quebec FRN's May 2005 $428.95
Kelsen 1p
Lowe Howard-Spink & Bell 4p
Marina Dev 1p
Morrison (Wm.) Supermarkets 0.55p
Oceans Consolidated 1.25p
Ransomes, Sims & Jefferies 3.6p
River & Merc. American Cap & Inc Tst. 1.5p
Sandell Perkins 1p
Tarmac 2.5p
Thorn EMI 7½pc Uns Ln 1989/92 3¾pc
Do 8½pc Ln 1989/94 4¼pc
Do 5pc Ln 2004/09 2½pc
Do 7¾pc Ln 2004/09 3⅞pc
Transport Dev. 3p
Travis & Arnold 16p
Treasury 10½pc 1992 5¼pc
Unisys 25cts
Wilkes (James) 3.5p
Wilson Bowden 2p

TOMORROW

COMPANY MEETINGS-
Mucklow (A&J), Chamber of Commerce, Edgbaston, Birmingham, 12.00

BOARD MEETINGS-
Finals:
Alva Inv. Tst.
Rosehaugh
Tiger Oats
Interims:
Ambrose Invs.
Aquascutum
Capital Gearing Tst.
GEI Intl.
Healthcare Services
Henderson Administration
Metal Box
National Telecom
Newmarket Venture
Sainsbury (J)
South African Brewers
Sterling Group
Yale & Valor

DIVIDEND AND INTEREST PAYMENTS-
Eksportfinans 11½pc Nts 1990 5.75pc
Gabicci 2.6p
Halls Homes & Gardens 2p
Hepworth 4.15p
Manders 1.8p
Nottingham Gas Anns £1.625

WEDNESDAY NOVEMBER 9

COMPANY MEETINGS-
Adwest, Inter-Continental Hotel, W., 12.00
Benson Group, Edgbaston Golf Club, Church Road, Edgbaston, Birmingham, 12.00
Ossory Estates, May Fair Inter-Continental Hotel, W. 12.00

BOARD MEETINGS-
Finals:
Bibby (J)
Future
Hartwell
Smith Inds.
Interims:
Amersham Intl.
Fashion & General Invs.
Int'l. Thompson
Novo Inds.
Oxford Instruments

DIVIDEND AND INTEREST PAYMENTS-
Addison Consultancy 0.5p
Allied Restaurants 1p
Banner Homes 1.1p
De Beers Cons. Mines (Reg) 45cts
Do. (Br) 45cts
Do "S" 45cts
GKN 6.25p
Grampian 1.7p
Halifax B. S. FRN's 1994 £140.29
Industrial Finance & Inv 2.5p
Intl. Bank for Rec. & Dev. 11.5pc 2003 5.75pc
Logica 1.6p
North British Can Inv. 2.7p
P&O Dfd 10.5p
Royal Bank of Scotland FRN's 2005 £139.82
TR Portfolio Selection Fd Stlg Dep Fd. 26p
Do. Pac. Basin Man. Fd. 0.21p

THURSDAY NOVEMBER 10

COMPANY MEETINGS-
Sinclair (William), Firth Road, Lincoln, 11.00
Young(H), 25-28, Old Burlington Street, W., 12.00

BOARD MEETINGS-
Finals:
Bellway
Christy Hunt
Gleeson (M.J.)
Multitrust
Video Tape Recording
Wellcome
Williamson Tea
Interims:
Appleby Westward
Bank of Ireland
British Inv. Tst.
Cook (Wm)
Electrocomponents
Erostin
Grampian TV
Hambros Inv. tst.
King & Shaxson
Powerscreen Intl.
Smith St. Aubyn
Storehouse
Whitbread Inv.

DIVIDEND AND INTEREST PAYMENTS-
American Express 19cts
Benchmark 0.875p
Bermuda Intl. Bond Fd. 30cts
Central ITV 6p
Citicorp 37cts
Golden-Larsen Shipping 14cts
Harling Son & Daw 1.5p
Macallan-Glenlivet 1.5p
Provident Financial 6p
Shell Transport & Trading (Reg) 21.5p
Do. (Br) 21.5p

FRIDAY NOVEMBER 11

COMPANY MEETINGS-
Audio Fidelity, Savoy Hotel, W.C., 12.00
Casket, Portland Hotel, Manchester, 12.30
Meat Trade Suppliers, Metral House, 62/68 St. John Street, E.C., 12.00

BOARD MEETINGS-
Finals:
Barton Transport
Reed Intl.
Town Centre Securities
Interims:
Aberfoyle
Goldberg (A)
Petrocon
Somic
Waverley Mining Finance

DIVIDEND AND INTEREST PAYMENTS-
Alliance Tst. 4½% Deb. Red. 2.25pc.
Automated Security Hldgs. 0.86p
Belhaven 0.45p
Bellwinch 2.85p
Bemrose Corp. 4p
Bentalls 0.55p
Blackwood Hodge 0.6p
Capital & Regional Props. 0.2p
Christies Intl. 4p
Clifford's Dairies 3.6p
Do. A NV 3.6p
Clinton Cards 1p
Computer People Group 1.45p
Derwent Valley Hldgs. 1.5p
Forth Ports Authority 3¾% 1.875pc.
Frgmore Estates 7.7p
Gates Rubber 4¼% Red. Deb. 2.125pc.
Glasgow Corp. 3½% Irrd. 1.75pc.
Do. Gas. 9% Ann. (Perp.) 4.5pc.
Do. Gas. 6¾% Ann. (Perp.) 3.375pc.
Interlink Express 3.65p
Investors Capital Tst. 4% Deb. Red. 2pc.
Ipeco Hldgs. 0.5p
Laidlaw Thompson Group 1.62p
Liberty 2.8p
Do. NV 2.8p
Magnetic Materials Group 2p
Midland Bank Sub. Fltg. Rate Nts. 2001 £143.44
Multitone Elect. 0.1p
NCR Corp. 31cts.
North Housing Association 8¾% Gtd. Ln. 2007 4.75pc.
Rentokil Group 1.44p
Royal Ins. Hldgs. 9.5p
SD-Scicon 6½% Cnv. Red. Prf. 3.25p
Scottish Eastern Inv. Tst. 4% Perp. Deb. 2pc.
Do. 4% Deb. Red. 2pc.
Second Alliance Tst. 4½% Deb. 2.25pc.
Securities Tst. of Scotland 7% Deb. 88/93 3.5pc.
Sinclair (Wm.) Hldgs. 6.5p
Singer & Friedlander Group 0.75p
Sommerville (Wm.) & Son 2.1p
TV-am 1.5p
Tyndall Hldgs. 2.5p
Westpool Inv. Tst. 1.45p
Wolstenholme Rink 6p

SATURDAY NOVEMBER 12

DIVIDEND AND INTEREST PAYMENTS-
Marivale Moore 4.75p

SUNDAY NOVEMBER 13

DIVIDEND AND INTEREST PAYMENTS-
Treasury 3% 1991 1.5pc.

PARLIAMENTARY

Today

Commons: Committee and remaining stages of Rate Support Grant Bill.

Lords: School Boards (Scotland) Bill, third reading. Unstarred question on government action to provide more effective treatment for mental offenders.

Select committee: Televising of Commons proceedings. Witnesses: BBC and IBA (Room 8, 6.15 p.m.).

Tomorrow

Commons: Motion on criminal evidence (Northern Ireland) order. Opposed private business at 7 p.m. Consideration of Lords amendments to Copyright, Designs and Patents Bill.

Lords: Health and Medicines Bill, consideration of Commons amendment. Unstarred question on competition in water industry on privatisation.

Select committees: Employment: subject, health and safety matters. Witnesses: officials from Health and Safety Commission (Room 20, 4.45 p.m.).

Committee on private bills: Associated British Ports (No. 2) North Killingholme cargo terminal (Room 6, 10.30 a.m.).

Wednesday

Commons: Consideration of Lords amendments to Housing Bill and School Boards (Scotland) Bill.

Lords: Debate on integration of disabled people; debate on farm price review. Unstarred question on relations between public and Metropolitan Police.

Select committees: Agriculture: subject, land use and forestry. Witnesses: Nature Conservancy Council and Royal Society for the Protection of Birds (Room 20, 10.30 a.m.)

Environment: subject, toxic waste. Witness: Cheshire Country Council and Derbyshire County Council (Room 21, 10.30 a.m.).

Employment: subject, employment patterns of the over-50s. Witnesses: Prof N. Bosanquet, professor of health policy: Royal Holloway and Bedford New College; Mr P. Ashby, director of Action and Mr C. Heginbotham, trustee of Action (Room 8, 4.15 p.m.).

Social Services: subject, responsibilities of Health Secretary. Witnesses: Mr Kenneth Clarke, QC, MP, Secretary of State and Mr David Mellor, QC, MP, Minister of State, Health Department (Room 21, 4.15 p.m.).

Transport: subject, air control safety. Witness: Ministry of Defence (Room 17, 4.15 p.m.).

Treasury and Civil Service: subject, Autumn Statement. Witnesses: Treasury officials (Room 15, 4.30 p.m.).

Committee on private bills: unopposed measure, London Regional Transport (No.2). (Room 9, 4 p.m.); opposed measure, Associated British Ports (No.2) North Killingholme cargo terminal (Room 6, 10.30 a.m.).

Thursday

Commons: Debate on revised guidelines for handling MPs representations in immigration cases. Opposed private business at 7 p.m. Remaining stages of Road Traffic Bill, Road Traffic (Consequential Provisions) Bill and Road Traffic Offenders Bill. Motion on Consumer Protection Act 1987 (Commencement No.2) order.

Lords: European Communities (Finance) Bill, second reading and remaining stages. Rate Support Grants Bill, second reading and remaining stages. Motions for approval on education and food protection orders. Unstarred question on *agricultural research* and development funding.

Friday

Commons: Debate on housing and homelessness.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

M & G Securities (y) (0915)H
Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 01-626 4588 Unit Dealing 0245 266266

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City Code
Amer & General	5	199.42	199.5	211.0	1.50	40834
(Accum Units)	5	238.03	238.1	251.8	1.50	40835
Amer Recovery	5	221.30	222.9xd	236.3	0.94	40836
(Accum Units)	5	246.7	248.2	263.1	0.94	40837

Rensburg Fund Managers (1200)H
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City Code
Intl Growth	5¼	41.82	41.82xd	44.68	1.22	41195

Rock Asset Mgmt (Unit Trust) Ltd (0905)F
Park View House, Front Street, Benton
Newcastle upon Tyne NE7 7TZ (091) 215 0077

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City Code
Europe Managed	5	49.55	49.98	53.16	2.35	46071

N.M. Rothschild Fund Mgmt (1000)F
St Swithin's Lane, London EC4 01-634 2983/4

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City Code
NC America (Inc)	5	252.05	252.05	269.51	1.21	41196
NC America (Acc)	5	280.28	280.28	299.48	1.21	41197
NC Income	5	108.67	108.67xd	115.94	4.86	41198
NC Japan	5	208.20	208.20	221.78	0.00	41199
NC Major UK Cos	5	59.47	59.47	63.33	2.68	41200
NC Smllr Australian	5	73.18	73.18	77.98	1.16	41201
NC Smllr Canadn Co	5	35.89	35.89	38.51	1.28	41202
NC Smaller Cos	5	197.24	197.24	214.25	1.92	41203
NC Smaller Euro	5	160.87	160.87	171.69	0.77	41204
RAM Personal Pension						
UK Major Co's	5¼	46.72	47.42	49.91	—	—
UK Smllr Co's	5¼	45.10	46.70	49.16	—	—
UK Income	5¼	46.54	47.31	49.80	—	—
America	5¼	45.90	46.73	49.19	—	—
Japanese	5¼	44.42	45.09	47.46	—	—
European	5¼	48.87	49.74	52.36	—	—
Canadian	5¼	40.90	41.79	43.99	—	—
Australasian	5¼	44.07	44.74	47.09	—	—
Gilt	5¼	49.76	49.76	52.38	—	—
Deposit	5¼	48.40	48.40	50.94	—	—
Managed	5¼	48.72	49.32	51.91	—	—
RAM FSAVC Scheme						
UK Major Co's	5¼	46.72	47.41	49.90	—	—
UK Smaller Co's	5¼	45.10	46.70	49.16	—	—
UK Income	5¼	46.54	47.30	49.79	—	—
America	5¼	45.89	46.72	49.18	—	—
Japanese	5¼	44.41	45.09	47.46	—	—
European	5¼	48.86	49.74	52.36	—	—
Canadian	5¼	40.90	41.79	43.99	—	—
Australasian	5¼	44.07	44.74	47.09	—	—
Gilt	5¼	50.03	50.03	52.66	—	—
Deposit	5¼	48.36	48.36	50.90	—	—
Managed	5¼	48.88	49.41	52.01	—	—

Royal Bank of Canada Funds (1500)F
71, Queen Victoria St, London EC4V 4DE 01-489 8378
RBC Trust Managers Limited

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City Code
Select Gwth Acc	5	57.56	57.56	61.56	2.18	41206
Select Income	5	61.74	61.74	66.02	3.70	41207
Select Inc Acc	5	66.26	66.26	70.86	3.70	41208
Select N American	5	45.95	45.95	49.14	2.04	41209
Select Intl	5	38.73	38.73	41.42	1.60	41210

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

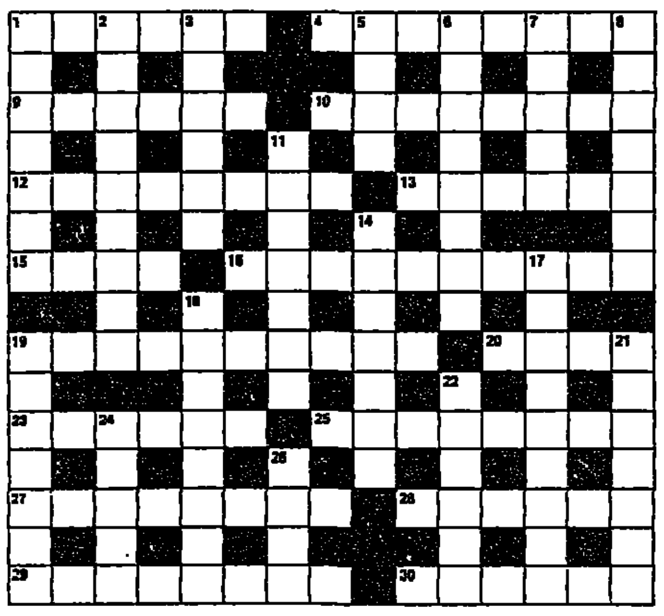
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

CROSSWORD

No. 6,779 Set by FRESCA



ACROSS

1 and 4 "Gracie's Hat" a hit rewritten for 9's creator (6,8)
9 Sleuth or potboiler containing one (6)
10 Above which the score never rises in soccer (as opposed to rugby) (6)
12 Lightened heavy metal without even moving! (8)
13 Run to church: hide under this! (6)
15 *See 5*
16 Virtuous purpose in describing the accomplished camper (4,6)
19 Boatmen given note to soldier on indefinitely (10)
20 See 7
23 Painting that is initially regarded as more unctuous (6)
25 Like a part of Birmingham's surprise? (8)
27 Stone me! A light's gone out! (8)
28 Issue 19 down with plenty of paper (6)
29 Collar pet by river (8)
30 Gaudy wood-gathering insect? (6)

DOWN

1 A swig in the morning lifting flask (7)
2 The life of a film cartoonist? (9)
3 Former US president's house finished (6)
5 and 15 The lady's song about second-class plant collections (8)
6 Saucy, trendy — and terribly fast! (8)
7 and 20 The girl who waited a bit made roughly about a pound (5-4)
8 Musical ability requires home support to be sincere (7)
11 Carry on *asking* one to accept a flower (7)
14 The whereabouts of an old copper in uniform? (7)
17 Inspectors cut up over pitmen (9)
18 Salad according to King's rule (8)
19 Great guy on clarinet? (7)
21 A period without somewhere to live in Africa (7)
22 Entrance on left — one pound (6)
24 Soldier brought in to look at conservative reasoning (5)
26 Source, in Italy, of sulphur — and, in France, sodium (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 19.

وكلة أعمة الأصل

FT UNIT TRUST INFORMATION SERVICE

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Grs	City Line
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						0264 63434
TSB American	5	97.57	97.57	103.70	2.11	41457
Do Accum	5	104.72	104.72	111.30	2.11	41458
TSB Brit Growth	5	54.68	54.68xd	58.17	3.25	41459
Do Accum	5	57.22	57.22xd	60.87	3.25	41460
TSB European	5	52.69	52.69	56.05	1.12	41461
Do Accum	5	54.12	54.12	57.57	1.12	41462
TSB Extra Income	5	148.75	148.58	158.06	5.80	41463
Do Accum	5	189.45	191.78	204.02	5.80	41464
TSB Smaller Cos	5	54.15	55.73	59.29	1.16	41465
Do Accum	5	55.11	56.72	60.34	1.16	41466
TSB General	5	178.68	178.66	190.09	3.41	41467
Do Accum	5	309.29	309.29	329.03	3.41	41468
TSB Gilt & Fxd Int	3½	47.80	47.80xd	49.43	8.96	41469
Do Accum	3½	73.34	73.34xd	75.85	8.96	41470
TSB Income	5	269.32	269.32	286.51	4.88	41471
Do Accum	5	450.17	450.17	478.90	4.88	41472
TSB Pacific	5	205.37	206.90	220.11	0.32	41473
Do Accum	5	213.94	215.12	228.86	0.32	41474
TSB International	5	317.86	317.86xd	339.22	0.88	41475
Do Accum	5	401.67	401.67xd	428.46	0.88	41476
TSB Nat Resources	5	61.13	61.82xd	65.77	1.34	41477
Do Accum	5	64.75	65.48xd	69.66	1.34	41478
TSB Sectd Opps	5	80.44	80.44	85.57	2.33	41479
Do Accum	5	91.84	91.84	97.70	2.33	41480
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000						Dealing: 01-379 0860
American Eagle	5	63.32	63.32	67.55	3.09	41482
Australia	5	7.499	7.499	8.006	0.10	-
Commodity	5	76.19	76.19	82.20	0.60	41484
Convertible	5	142.1	142.1xd	152.8	5.01	41485
Equity	5	154.7	154.7	166.6	5.14	41486
Euro Spec Sits	5	83.66	83.66	89.95	1.51	41487
Financial	5	30.53	30.53	33.10	2.06	41488
Global Opps Inc	5	55.65	55.65xd	59.86	0.62	41489
Global Opps Acc	5	55.45	55.45	59.86	0.62	41490
Gold Income	5	46.70	46.70xd	50.15	0.00	41491
Gold Acc	5	86.02	86.02	92.37	0.00	41492
Income	5	104.6	104.6	113.0	4.49	41493
Japan	5	123.1	123.1	132.6	0.00	41494
Pacific Inc	5	111.9	111.9	120.8	0.06	41495
Pacific Acc	5	138.8	138.8	149.9	0.06	41496
Preference Share	5	24.63	24.71xd	26.74	7.54	41497
Special Sits	5	94.08	94.08	101.3	1.54	41498
Technology	5	34.86	34.86	37.40	2.03	41499
UK Capital	5	89.14	89.51	96.10	1.63	41500

	Bid Price	Offer Price	Yield Gross	City Line
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 2	39.2	40.7	2.28	4106
Euro Expt Nov 2	42.7	44.3	2.46	4106
Fixed Int Ex Nov 2	49.9	52.3	9.6	-
Japan Expt Nov 2	54.2	56.6	0.45	4106
Managed Ex Nov 2	39.2	40.7xd	4.44	4106
SE Asia Expt Nov 2	34.6	36.3xd	1.95	4106
Sm Cos Expt Nov 2	43.9	46.0xd	2.47	4106
UK Eqty Ex Nov 2	36.1	37.9	4.17	4107
New Court Property Fund Managers				
NC Property	192.5	209.3	-	4120
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fnd/10	815.0	861.0	3.85	4113
Do Accum	842.0	889.0	3.85	4113
PDFM Int Expt Oct 27	124.6	126.9xd	2.72	4134
J. Rothschild Fund Managers Ltd				
Intl Exempt	90.66	94.73xd	2.92	4027

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	Yield Gross	City Line
AA Friendly Sy Oct 14		142.9	-	4160

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City Line
Prop. Ser. 1	259.3	273.0	-	4160
Equity Ser 1	115.0	121.1	-	4160
Prop. Acc. Ser 2	387.3	407.7	-	4161
Equity Ser 2	130.5	137.4	-	4161
Selective Acc	298.9	314.7	-	4161
Prop. Ser. 4	307.8	324.0	-	4161
Equity Ser. 4	134.5	141.6	-	4161
Fixed Int. Ser. 4	219.9	231.6	-	4161
Indexed Int. Ser. 4	131.7	138.8	-	4162

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124 Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	Yield Gross	City-line
NUAM Funds				
Managed Fund	54 6	57.4	–	43191
Stock Market Mngd Fund	52.1	54 9	–	43192
Equity Fund	56 2	59.2	–	43193
International Fund	48.6	51.2	–	43194
European Fund	50 9	53.5	–	43195
North American Fund	44.5	46.9	–	43196
Pacific Fund	59 0	62.1	–	43197
Property Fund	67.3	70.9	–	43198
Fixed Interest Fund	52 9	55.6	–	43199
Index linked Sec Fund	54 2	57.1	–	43200
Deposit Fund	54 7	57.6	–	43201
NUAM Retirement Plans				
Mixed Fund	58.6	61 7	–	43202
UK Ordinary Share Fd	66 0	69 5	–	43203
International Fund	50 2	52 9	–	43204
Property Fund	65 5	68.9	–	43205
Fixed Interest Fund	57.5	60.5	–	43206
Index Linked Sec Fund	55 4	58.3	–	43207
Deposit Fund	58.8	61.9	–	43208
NUAM (MF)				
Managed Fund	761.3	801 4	–	43209
Equity Fund	1522.1	1602.3	–	43210
Property Fund	424 0	446 4	–	43211
Fixed Interest Fund	394.1	414 9	–	43212
Deposit Fund	223 8	235 6	–	43213
International Fund	127 8	134 6	–	43214
Index Linked Sec Fund	54 9	57.8	–	43215

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	Yield Gross	City-line
Unitised Pensions				
With Profits Fd	107 60	113 27	–	43216
Managed Fd	118 34	124 57	–	43217
UK Equity Fd	122 12	128 55	–	43218
International Fd.	119 25	125 52	–	43219
European Fd.	116 53	122 66	–	43220
North American Fd	113 96	119 96	–	43221
Pacific Fd	113 70	119 69	–	43222

Providence Capital Life Asc. Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pacific Initial	58 6		–	43438
Technology Initial	81.1		–	43439
Nat Resources Initial	46.5		–	43440
Japan Growth Initial	187 2		–	43441
European Initial	72.3		–	43442
Residential Prop Init	117.1		–	43443
Swiss Equities Initial	33.3		–	43444
Hong Kong Initial	42.0		–	43445
UK High Inc Eq Init	61.9		–	43446
Int Fixed Interest Init	49.9		–	–
Int Managed Init	47.1		–	–
Broker Fund				
Towerhill Mngd Fd Acc	47.4	50.0	–	43447
High Performance	61.9	65.2	–	43448
YRA Executive Fd	77.8	82.0	–	43449
Investment Master	38.4		–	43450
H.F. Speculator Fd	112.3		–	43451
£ High Inc Money Fd	103.2		–	43452
£ Global Growth Fd	103.2		–	43453
PEP Acorn II	101.4		–	–
AAFS Int Man Fund	100.2		–	–
Individual Pension Funds				
UK Equity Acc	209.9	221.5	–	43454
UK Fixed Interest Acc	163 5	172.5	–	43455
Intl Equities Acc	165.9	175.0	–	43456
UK Managed Acc	151.9	160.2	–	43457
Property Acc	188.5	198.9	–	43458
Money Acc	114.9	121.3	–	43459
Special Market Acc	128.8	135.9	–	43460
Japanese Acc	217.4	229.4	–	43461
North American Acc	108.3	114 3	–	43462
Pacific Acc	132.2	139.5	–	43463
Technology Acc	130 0	137 2	–	43464
Natural Resources Acc	89 6	94.6	–	43465
Japan Growth Acc	256.5	270 6	–	43466
European Acc	87 7	92.6	–	43467
Residential Prop Acc	124 1	131 0	–	43468
Swiss Equities Acc	33.2	35 1	–	43469
Hong Kong Acc	41 5	43 8	–	43470
UK High Inc Equ Acc	65 9	69 6	–	43471

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
2,250	Treas 11½pc 1989	99	11.72	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	99	11.62	12.9	16Oct 10Apr	1343
500	Treas 3pc 1989	97	8.77	10 10	15Nov 15May	1327
1,400	Treas 10½pc 1989	99	11.73	9.5	14Dec 14Jun	1287
2,400	Exch. 10pc 1989	98	11.64	27 6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99	11.39	29.8	29Mar 29Sep	1256
601	Treas 5pc 1986–89	96	9.38	6.9	15Apr 15Oct	1329
535	Exch 10¼pc Cv '89	99	10.69	10.10	15Mar 15Nov	1255
1,000	Treas 13pc 1990‡‡	102	10.93	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	100	10.87	6.7	12Aug 12Feb	1257
1,250	Exch. 12¼pc 1990	102	10.98	16 8	22Sep 22Mar	1262
550	Treas. 3pc 1990	92	8.82	3.10	8Nov 8May	1325
600	Treas 8¼pc 1987–90‡‡	96	10.40	9.5	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990 ‡‡	99	8.74	9 6	16Jul 16Jan	4680
1,887	Treas. 10pc Cv 1990	98	10.66	19.9	25Apr 25Oct	1235
500	Exch 2½pc 1990	88	8.48	17.10	22May 22Nov	1270
2,200	Treas 11¼pc 1991	102	10.57	3.6	10Jul 10Jan	1292
400	Funding 5¾pc '87–91‡‡	91	9.51	1 9	5Oct 5Apr	1275
400	Treas. 3pc 1991	87	8.49	7 10	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	100	9.77	6 6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	101	10.35	19.9	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	93	10.40	3 11	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	106	10.74	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	99	10.24	15 7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	93	10.24	6.9	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	100	10 27	3 10	7Nov 7May	1289
500	Treas. 3pc 1992	83	8 26	4 11	11Dec 11Jun	1328
1,360	Exch. 12¼pc '92	106	10.24	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	110	10.32	16.8	22Mar 22Sep	1266
950	Treas 8¼pc 1993	93	10 15	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	99	10.03	8 9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	108	10.06	7 6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	87	9.11	9.8	15Mar 15Sep	1276
	Five to Fifteen Years					
1,250	Treas 13¾pc 1993‡‡	114	10.07	17.10	23May 23Nov	1304
1,050	Treas. 8½pc 1994	93	10.05	27.6	3Aug 3Feb	–
750	Treas 8½pc 1994 A	93	10.06	–	3Feb 3Aug	–
600	Treas 14½pc 1994‡‡	118	10.00	26 7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	113	10.14	20.9	27Oct 27Apr	1267
1,400	Treas. 10pc Ln 1994‡‡	100	9.94	2.11	9Dec 9Jun	1254
1,550	Exch. 12½pc 1994	110	10.09	16.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	96	9.84	11 10	17Nov 17May	1345
2,350	Treas 12pc 1995	108	10.05	20.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	81	6.55	26.9	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	101	9.94	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	113	9.96	10.10	15May 15Nov	1298
900	Treas. 14pc '96	119	10.07	15 6	22Jul 22Jan	1305
750	Treas. 9pc 1992–96‡‡	96	9 67	9 8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	127	10 03	27 9	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	117	9.93	10.10	15May 15Nov	1268
1,109	Conversion 10pc 1996	100	9.85	10 10	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	118	9.91	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	103	9 84	15.7	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	94	9.65	26.7	1Mar 1Sep	1341
1,000	Exch 15pc 1997	128	10 09	20 9	27Apr 27Oct	1269
2,850	Exch 9¾pc 1998	99	9 78	15 6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	84	9 30	26 9	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	134	9 97	24 8	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	113	9 86	14 10	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	99	9.57	8 6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	115	9.84	22 8	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	104	9.74	13.10	19Nov 19May	1250
1,548	Conversion 10¼pc 1999	103	9.74	17.10	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	92	9.53	21 6	28Jan 28Jul	1336
1,554	Conversion 9pc 2000‡‡	96	9.54	28 7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	121	9.87	7.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	102	9 61	20 7	26Aug 26Feb	1280
1,250	Treas. 14pc '98–01	124	10 02	17.10	22Nov 22May	1306
802	Conversion 9¾pc 2001	101	9.59	4.7	10Feb 10Aug	1248
1,600	Exch 12pc '99–02	113	9.87	15 6	22Jul 22Jan	1261
716	Conversion 10pc 2002	103	9.55	5 9	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	101	9.52	21 7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	96	9.47	13 10	19May 19Nov	1272
1,800	Treas. 13¾pc 2000–03	126	9.93	20.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	104	9.44	2.8	8Mar 8Sep	1281
	Over Fifteen Years					
1,900	Treas. 11½pc 2001–04	112	9.72	15.8	19Sep 19Mar	1290
900	Treas. 10pc 2004	105	9.37	12.10	18Nov 18May	1282
443	Funding 3½pc '99–04	59	6.08	7 6	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	101	9.30	19 9	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	101	9.27	12 9	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	110	9.25	15 8	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	123	9.52	17.10	21May 21Nov	1295
1,800	Treas. 8pc 2002–06‡‡	89	9.17	1.9	5Apr 5Oct	1334
369	Conversion 9¾pc 2006	104	9.21	10.10	15May 15Nov	1249
3,150	Treas. 11¾pc 2003–07	117	9.50	15.6	22Jul 22Jan	1293
1,400	Treas 8½pc 2007 ‡‡	94	9.06	9 6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	132	9.43	22 8	26Sep 26Mar	1301
1,800	Treas. 9pc 2008 ‡‡	99	9.02	6 9	13Apr 13Oct	1343
1,000	Treas 8pc 2009	90	8.97	19 8	25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	100	8.91	6.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	68	8.70	4.8	10Mar 10Sep	1330
700	Treas. 7¾pc 2012–15‡‡	88	8.86	20 6	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	138	8.93	6.5	12Jun 12Dec	1260
	Undated					

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	44	–	27 6	1Feb 1Aug	[illegible]
1,909	War Loan 3½pc‡‡	40	–	25 10	1Jun 1Dec	[illegible]
154	Conv. 3½pc '61 Aft.	62	–	25 3	1Apr 1Oct	[illegible]
56	Treas 3pc '66 Aft.	32	–	1 9	5Apr 5Oct	[illegible]
276	Consols 2½pc	27	–	1 9	5Ja Ap Jl Oc	[illegible]
475	Treas. 2½pc	27	–	25 8	1Apr 1Oct	[illegible]

Index-Linked

[illegible]

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI February 1988: 103.7 and for September 1988: 108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Opppenheimer Managed Assets Co

	Bid Price	Offer Price	Yield Gross	City-line
European Managed	$19.87	39.34	–	45576
Global Income	$9.45	10.04	6.34	45577
International Managed	$7.59	8.06	–	45578
Pacific Managed	$8.54	9.07	–	45579
Worldwide Recovery	$9.69	10.30	–	45580

Scimitar Worldwide Selection Fund Limited

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,117.0	Texas Instr. $1	21¼xd	72c	2.0	22.9	JAJO	5033
5,954.1	Time Inc. $1	62⅝xd	$1.00	0.9	25.8	Mr Jn Se De	4234
1,475.4	Transamerica $1	19¾xd	$1.84	5.6	30.9	Ja Ap Jn Oc	4259
493.4	TRINOVA Corp.	14⅞xd	64c	2.6	10.8	Mc Je Se De	4309
4,880.1	USX $1	16xd	$1.20	4.4	2.11	Mr Je Se De	4380
3,049.5	Utd. Technologies	23¼xd	$1.60	4.0	24.8	Mr Jn Sp Dc	4381
6,512.1	US West ‖	32½	$3.52	6.4	13.4	Fb My Ag No	–
5,131.2	Waste Management $1	22¼	48c	1.2	16.9	Ap Jly Oc Jan	4439
1,036.5	Whirlpool $1	15	$1.10	4.3	25.01	Mr Jn Se De	–
1,999.0	♥Woolworth $3½	30¼	$1.64	3.2	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp ‖	178p	–	–	–	–	–
–	♥Abbot Energy Corp.	15p	–	–	–	–	–
576.0	♥Amer. Barrick Res.	10	–	–	–	–	–
–	American Lightwave	3¼p	–	–	–	–	–
–	♥Armeno	9¼p	–	–	–	–	–
–	Augmitto Explo	48p	–	–	–	–	–
1,338.5	Bk. Montreal ‖	12¾	$2.00	7.6	8.8	Fb My Ag Nv	–
1,093.0	Bk. Nova Scot. ‖	659p	76c	5.6	23.9	Ja Ap Ju Oc	–
4,728.3	BCE ‖	17½xd	$2.44	6.8	6.6	Ap Jy Oc Ja	–
246.8	♥Bow Valley ‖	596p	♦40c	3.3	15.12	May Nov.	–
831.7	♥Brascan ‖	12¼	88c	3.5	28.10	Ja Ap Jy Oc	–
45.3	♥Breakwater Res.	202p	10c	2.4	–	–	–
1,760.7	Can. Imp Bank ‖	11¼	$1.16	5.0	29.6	Fe My Au No	–
2,912.5	Can. Pacific ‖	961p	76c	3.8	28.9	July Jan.	–
18.0	Do. 4pc Deb £100	38½	4%	10.4	24.5	July Jan	2051
–	Central Capital "A" ‖	391p	–	–	–	–	–
–	♥Corona Corp.	428p	–	–	–	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha β Beta γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ *Merger bid or reorganisation in progress*
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ *No par value*

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on *part of capital. e Redemption yield. f Flat yield. g Assumed* dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or *other official estimates for 1988. N Dividend and yield based on* prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ....γ	71	..
Craig & Rose £1 ..γ	710	+20
Finlay Pkg 5p ...γ	86	..
Holt (Jos) 25p .γ	£11⅝	+2½

IRISH

Cap. 8½% Ln 1992 ..	£99⅝	......
9pc Cap Ln. 1996	£103⅛	....
Fin. 13% 97/02	£124⅛	.
Arnotts ....γ	385	-10
Carrol Inds ......γ	161	-2
Grafton Grp........γ	150	....
Hall (R. & H.)	152	...
Heiton Hldgs. ....γ	61	-4½
Irish Ropes..........γ	165	...

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do (P Paid)	12
Burmah Oil	48
Calor Gas	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines	
Cons Gold	108
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

A move towards cross rate trading

By Colin Millham

INTEREST HAS grown in cross currency trading in recent months, as the central banks have succeeded in keeping the dollar in a relatively narrow range.

Central bank intervention last week was confined to the US Federal Reserve and the Bank of Japan, when the dollar weakened against the yen.

The picture changed a little on Friday, after stronger than expected US employment data in October, but traders still doubted that the dollar's rally would be sustained after tomorrow's US Presidential election.

It was suggested the determination of the central banks to halt the dollar's slide had been merely an attempt to prevent the currency falling too sharply ahead of the election.

As the volume of cross currency trading has built up,it has tended to highlight the attitude of the monetary authorities in the major financial centres of Europe, Japan and the US.

The West German Bundesbank has seen no need to intervene in support of the dollar, because its own currency is not particularly strong in absolute terms. The same can be said of the Bank of France and the Swiss National Bank.

Taking the currencies of the US; Japan; West Germany; Britain; France and Switzerland, and comparing their performances so far this year, the dollar is the only currency higher against all others since the beginning of 1988.

If the movement were regarded as a football match for each currency the US would have won 5-0. Japan would have won 4-1, falling only against the dollar. The UK would have won 3-2, weakening only against the dollar and yen. West Germany would have lost 2-3, strengthening only against the French and Swiss francs. France would have lost 1-4, winning against the Swiss franc, and Switzerland would have gone down 0-5.

This explains why Europe regards the decline of the dollar as a problem for the US and Japan. Although the dollar remains higher against the yen than at the beginning of the year, it has slumped quite a long way from the level of Y136 touched in late August and early September. The US currency is now around Y125, compared with Y122.75 on January 4.

In terms of the D-Mark the dollar has strengthened to around DM1.79, from DM1.5850 at the beginning of the year.

The French and Swiss francs are effectively tied to the D-Mark. France is a full member of the EMS with West Germany, and Switzerland regards it as a matter of economic necessity to keep the Swiss franc in line with the currency of its major industrial neighbour.

Both countries feel the effect of any change in West German economic policy and fluctuations in the D-Mark. That is why the President of the Swiss National Bank showed his approval of what he suggested was a light relaxation in the Bundesbank's monetary policy last month.

The Bank of France was helped in avoiding higher interest rates to protect the franc, by a sharp improvement in the September French trade balance. The French currency has since traded steadily, but remains near the bottom of the EMS, and could suffer renewed pressure this week.

With the US election out of the way the Federal Reserve may be content to let the dollar slide, as economic fundamentals put downward pressure on the currency, resulting in a move into the yen

The French franc will struggle if funds flow into the D-Mark, causing strains within the EMS, and possibly leading to the recently avoided rise in French interest rates.

A realignment of the EMS is less likely, because it would increase inflationary pressure on the franc and other weak members of the system.

£ IN NEW YORK

Nov.4	Close	Previous Close
£ Spot	1.7675-1.7685	1.7775-1.7800
1 month	0.52-0.51pm	0.52-0.50pm
3 months	1.50-1.47pm	1.53-1.50pm
12 months	5.15-5.05pm	5.10-5.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.4	Previous
8.30 am	76.6	76.6
9.00 am	76.7	76.6
10.00 am	76.7	76.6
11.00 am	76.7	76.7
Noon	76.7	76.7
1.00 pm	76.8	76.6
2.00 pm	76.7	76.7
3.00 pm	76.7	76.6
4.00 pm	76.7	76.6

CURRENCY RATES

Nov 4	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.755373	0.654821
U S Dollar	6.50	1.34479	1.16591
Canadian $	8.75	1.64212	1.42486
Austrian Sch.	4	16.7547	14.5692
Belgian Franc	7	49.9791	43.4738
Danish Krone	7½	9.19097	7.99639
Deutsche Mark	3½	2.38499	2.07392
Neth Guilder	4	2.68824	2.33893
French Franc	9½	8.13800	7.07823
Italian Lira	12½	1773.31	1541.91
Japanese Yen	2½	N/A	145.039
Norway Krone	8	8.87292	7.73289
Spanish Peseta	-	N/A	136.679
Swedish Krona	8½	8.26979	7.18899
Swiss Franc	3	2.00306	1.73487
Greek Drach.	20½	N/A	170.631
Irish Punt	-	N/A	0.776134

*All SDR rates are for Nov.3

CURRENCY MOVEMENTS

Nov 4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.7	-15.7
U S Dollar	95.5	-12.6
Canadian Dollar	83.2	-3.7
Austrian Schilling	135.0	+10.2
Belgian Franc	98.5	-5.6
Danish Krone	89.3	+0.2
Deutsche Mark	145.0	+21.6
Swiss Franc	168.0	+20.9
Guilder	133.6	+13.9
French Franc	69.0	-15.1
Lira	45.3	-20.7
Yen	251.3	+87.4

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1975 = 100) **Rates are for Nov.3.

OTHER CURRENCIES

Nov.4	£	$
Argentina	21.8825 - 22.0365	12.3700 - 12.4500
Australia	2.1295 - 2.1315	1.2040 - 1.2050
Brazil	825.10 - 829.15	466.45 - 468.45
Finland	7.4570 - 7.4790	4.2210 - 4.2230
Greece	258.15 - 262.60	145.40 - 147.85
Hong Kong	13.8150 - 13.8280	7.8090 - 7.8110
Iran	121.90*	68.15*
Korea(Sth)	1233.65 - 1243.55	694.80 - 700.40
Kuwait	0.49510 - 0.49560	0.28000 - 0.28010
Luxembourg	66.35 - 66.45	37.55 - 37.65
Malaysia	4.7360 - 4.7475	2.6800 - 2.6820
Mexico	4035.30 - 4044.45	2280.00 - 2285.00
N Zealand	2.8395 - 2.8445	1.6050 - 1.6075
Saudi Ar.	6.6325 - 6.6385	3.7505 - 3.7515
Singapore	3.5045 - 3.5135	1.9820 - 1.9850
S Af (Cm)	4.3570 - 4.3685	2.4625 - 2.4675
S Af (Fn)	7.0060 - 7.1475	3.9605 - 4.0405
Taiwan	49.75 - 50.00	28.05 - 28.15
U.A.E.	6.4945 - 6.5005	3.6725 - 3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12-11¾	11 13/16-11 11/16	12 1/16-11 15/16	12 3/16-12 1/16	12 5/16-12 3/16	12¼-12
US Dollar	8 5/16-8 3/16	8 5/16-8 3/16	8 7/16-8 5/16	8 11/16-8 9/16	8 13/16-8 11/16	8 15/16-8 13/16
Can. Dollar	10¼-10⅛	10⅜-10¼	10⅝-10½	10¼-10⅛	10 13/16-10 11/16	10⅞-10½
D. Guilder	5⅜-5¼	5⅜-5¼	5⅜-5¼	5½-5¼	5⅝-5½	5¾-5⅝
Sw. Franc	4¼-4	4¼-4	4 1/16-3 15/16	4¼-4	4¼-4	4¼-4
Deutschmark	4⅞-4¾	4⅞-4¾	4⅞-4¾	4 15/16-4 13/16	5-4⅞	5-4⅞
Fr. Franc	7 11/16-7 9/16	7 11/16-7 9/16	7 13/16-7 11/16	8⅛-8	8 3/16-8 1/16	8 5/16-8 3/16
Italian Lire	12-10	11½-10½	11½-11	11½-11	11½-11	11⅝-11⅛
B. Fr. (Fin)	7 3/16-7 1/16	7 3/16-7 1/16	7¼-7⅛	7 5/16-7 3/16	7⅜-7¼	7 7/16-7 5/16
B. Fr. (Con.)	7⅛-7	7½-7⅜	7½-7⅜	7½-7⅜	7½-7⅜	7½-7⅜
Yen	4⅝-4½	4⅝-4½	4⅝-4½	4½-4⅜	4½-4⅜	4½-4⅜
D. Krone	7⅝-7⅛	7¼-7⅛	7¾-7½	8⅛-7⅞	8¼-8	8⅝-8⅜
Asian $Sing	8 5/16-8 3/16	8 5/16-8 3/16	8 7/16-8 5/16	8⅝-8½	8⅝-8½	8 15/16-8 13/16

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9¼-9 per cent; four years 9⅜-9⅛ per cent; five years 9½-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.766	3.168	221.3	10.80	2.655	3.570	2351	2.159	66.40
$	0.566	1	1.794	125.3	6.116	1.503	2.022	1331	1.223	37.60
DM	0.316	0.557	1	69.85	3.409	0.838	1.127	742.1	0.682	20.96
YEN	4.519	7.980	14.32	1000.	48.80	12.00	16.13	10624	9.756	300.0
F Fr.	0.926	1.635	2.933	204.9	10.	2.458	3.306	2177	1.999	61.48
S Fr.	0.377	0.665	1.193	83.35	4.068	1	1.345	885.5	0.813	25.01
H Fl.	0.280	0.495	0.887	61.99	3.025	0.744	1	658.5	0.605	18.60
Lira	0.425	0.751	1.348	94.13	4.594	1.129	1.519	1000.	0.918	28.24
C $	0.463	0.818	1.467	102.5	5.002	1.230	1.654	1089	1	30.75
B Fr.	1.506	2.660	4.771	333.3	16.27	3.998	5.377	3541	3.252	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

Nov 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7640 - 1.7815	1.7650 - 1.7660	0.51-0.48cpm	3.36	1.53-1.48pm	3.41
Canada	2.1540 - 2.1740	2.1585 - 2.1595	0.28-0.19cpm	1.31	0.82-0.70pm	1.41
Netherlands	3.56¼ - 3.58¼	3.56½ - 3.57½	2-1¾cpm	6.30	6-5½pm	6.58
Belgium	66.15 - 66.50	66.35 - 66.45	27-22cpm	4.43	86-76pm	4.88
Denmark	12.17¼ - 12.21¼	12.19 - 12.20	4⅝-3⅞orepm	4.18	12⅝-11⅛pm	4.00
Ireland	1.1790 - 1.1890	1.1855 - 1.1865	0.45-0.39ppm	4.25	1.32-1.18pm	4.22
W. Germany	3.15½ - 3.18	3.16½ - 3.17	1⅞-1¼pfpm	6.87	5⅝-5½pm	7.02
Portugal	261.65 - 262.80	261.65 - 262.65	11pm-19cdis	-0.18	12-102dis	-0.87
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	37.20 - 37.65	37.55 - 37.65	4.00-2.50cpm	1.05	16.00-12.00pm	1.50
Denmark	6.84½ - 6.92¼	6.90½ - 6.91	0.60-0.30orepm	0.79	1.15-0.85pm	0.58
W. Germany	1.7760 - 1.7970	1.7935 - 1.7945	0.53-0.50pfpm	3.47	1.65-1.60pm	3.65
Portugal	147½ - 149	148½ - 148¾	40-55cdis	-3.87	140-190dis	-4.48
Spain	117.00 - 118.30	118.15 - 118.25	15-25cdis	-2.05	72-82dis	-2.63
Italy	1321 - 1334¼	1331¼ - 1332¼	2.80-3.30liredis	-2.77	8.50-9.20dis	-2.67
Norway	6.62¼ - 6.67¼	6.66¾ - 6.67¼	2.00-2.20oredis	-3.80	6.00-6.30dis	-3.71
France	6.06¼ - 6.13½	6.11½ - 6.12	0.35-0.28cpm	0.62	0.95-0.80pm	0.58
Sweden	6.16¼ - 6.20¼	6.19¾ - 6.20¼	1.00-1.15oredis	-1.77	2.80-3.05dis	-1.90
Japan	124.25 - 125.40	125.25 - 125.35	0.44-0.41ypm	4.10	1.31-1.28pm	4.16
Austria	12.49½ - 12.59	12.58½ - 12.59	3.10-2.80gropm	2.82	9.45-8.45pm	2.86
Switzerland	1.4865 - 1.5070	1.5030 - 1.5040	0.56-0.53cpm	4.39	1.69-1.64pm	4.47

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.95-38.05.

MONEY MARKETS

A testing time for interest rates

LONDON INTEREST rates were a little higher last week, responding to the Autumn Statement from Mr Nigel Lawson, the UK Chancellor, and the implication that base rates will remain firm to suppress inflation and support sterling.

Mr Lawson's agreement with City forecasts of a large current account payments deficit, and the possibility that inflation could touch 7 p.c. next year, increased the upward pressure on rates. An unexpectedly large rise in October US non-farm employment did nothing to change this trend.

Events this week are likely to give guidance on the trend in world interest rates, and whether the dollar is going to weaken after tomorrow's US Presidential election.

The strength of the US employment data, released Friday, led to comments that growth remains strong. If this is coupled with a weaker dollar the market may revise its view that US interest rates are not going up in the near future.

This is likely to prove a testing time for the dollar, with possible implications for Europe and any attempt by the Bundesbank and the Bank of France to prevent a realignment of the EMS.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

The Bundesbank did not change its credit policies at last week's council meeting, and may be content to let rates drift down this month. If the dollar weakens sharply the West German central bank could offset part of the upward pressure on the D-Mark by supporting the US currency. This will have the effect of pumping D-Marks out into the domestic money market, and increasing liquidity.

A rise in the Bundesbank's rediscount quotas should also prevent interest rates rising in Frankfurt, and help keep pressure off the EMS.

MONEY RATES

NEW YORK (4pm)

Prime rate	10
Broker loan rate	9¾
Fed funds	8 9/16-⅝
Fed funds at intervention	-

Treasury Bills and Bonds

One month	6.41	Three year	8.50
Two month	7.17	Four year	8.55
Three month	7.70	Five year	8.59
Six month	8.03	Seven year	8.72
One year	8.22	10-year	8.85
Two year	8.42	30-year	8.91

Nov.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.60-4.75	4.75-4.90	4.75-4.90	4.80-4.95	5.00
Paris	7 11/16-7 9/16	7 13/16-7 11/16	7 15/16-7 13/16	7⅞-8	8-8⅛	7.25
Zurich	1⅝-1⅞	3⅝-3⅞	-	3⅞-4⅛	-	-
Amsterdam	5.50-5.62	5.25-5.35	-	5.25-5.35	-	-
Tokyo	3.96875	4.34375	-	4.46875	-	-
Milan	10¼-10¾	11⅛-11⅞	-	11½-12	-	-
Brussels	4.90	7⅛	-	7⅛-7¼	-	-
Dublin	7½-7¾	7½-7¾	7⅝-7⅞	7¾-8	8-8¼	-

LONDON MONEY RATES

Nov.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY NOVEMBER 4 1988 US Dollar Index	% Change Since Dec.31 87	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY NOVEMBER 3 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (91)	148.71	+42.0	124.88	119.13	4.26	148.07	123.16	119.12	152.31	91.16	91.24
Austria (17)	96.03	-4.7	80.64	89.26	2.40	96.95	80.64	89.22	98.18	83.72	93.40
Belgium (63)	129.00	+25.1	108.33	120.89	4.18	130.26	108.35	120.47	139.89	99.14	102.92
Canada (125)	120.20	+8.8	100.94	106.36	3.24	121.75	101.26	107.64	128.91	107.06	102.80
Denmark (39)	145.74	+26.2	122.38	136.92	2.20	147.33	122.54	136.96	148.99	111.42	111.22
Finland (26)	128.48	+11.7	107.89	113.84	1.46	129.14	107.41	113.64	139.53	106.78	-
France (130)	108.94	+26.5	91.48	104.54	3.10	109.82	91.34	104.22	109.82	72.77	86.26
West Germany (102)	85.06	+10.1	71.43	79.33	2.35	85.28	70.93	78.54	87.49	67.78	78.84
Hong Kong (46)	105.39	+18.4	88.50	105.68	4.78	105.48	87.73	105.76	111.86	84.90	81.00
Ireland (18)	132.32	+26.4	111.11	125.13	4.02	134.49	111.86	125.83	144.25	104.60	101.69
Italy (100)	83.82	+7.8	70.39	83.38	2.41	85.06	70.75	83.66	85.06	62.99	74.10
Japan (456)	173.09	+22.4	145.35	137.09	0.54	175.25	145.77	137.53	177.27	133.61	137.25
Malaysia (36)	140.13	+25.5	117.67	144.69	2.96	139.91	116.37	144.55	154.17	107.83	105.45
Mexico (13)	157.79	+49.6	132.50	393.77	1.38	157.03	130.61	391.88	180.07	90.07	191.22
Netherland (38)	109.34	+9.0	91.82	100.93	4.88	110.40	91.83	100.68	111.00	95.23	95.90
New Zealand (25)	71.73	-5.8	60.23	61.18	6.41	73.38	61.03	61.92	84.05	64.42	83.49
Norway (25)	120.16	+18.1	100.90	108.78	2.67	119.68	99.54	107.29	132.23	98.55	113.92
Singapore (26)	121.10	+24.4	101.70	110.70	2.45	120.93	100.58	110.48	135.89	97.99	97.33
South Africa (60)	116.04	-13.1	97.45	101.47	4.47	118.16	98.28	102.29	139.07	98.26	116.38
Spain (42)	149.84	+13.0	125.83	134.18	3.05	151.79	126.25	134.37	164.47	130.73	129.30
Sweden (35)	131.82	+33.0	110.70	120.99	2.36	132.23	109.98	120.49	132.23	96.92	99.67
Switzerland (56)	84.53	+1.3	70.98	78.79	2.14	85.55	71.15	78.73	86.75	74.13	81.67
United Kingdom (321)	135.94	+2.6	114.15	114.15	4.62	137.48	114.35	114.35	141.18	120.66	117.55
USA (577)	112.79	+12.2	94.72	112.79	3.58	113.86	94.71	113.86	115.55	99.19	102.17
Europe (1012)	113.23	+8.3	95.09	101.12	3.67	114.33	95.10	101.01	114.42	97.01	98.21
Pacific Basin (680)	169.37	+22.8	142.23	134.99	0.76	171.35	142.52	135.41	172.26	130.81	133.43
Euro-Pacific (1692)	146.93	+17.9	123.39	121.39	1.67	148.57	123.57	121.60	148.57	120.36	119.37
North America (702)	113.17	+12.0	95.04	112.42	3.56	114.27	95.04	113.50	116.07	99.78	102.19
Europe Ex. UK (691)	98.94	+13.5	83.09	93.21	2.92	99.78	82.99	92.90	99.85	80.27	86.21
Pacific Ex. Japan (224)	124.63	+29.5	104.66	108.68	4.40	124.50	103.55	108.76	128.27	87.51	87.34
World Ex. US (1890)	145.71	+17.3	122.36	120.81	1.74	147.34	122.55	121.06	147.34	120.26	118.82
World Ex. UK (2146)	132.71	+17.1	111.45	118.45	2.09	134.12	111.55	119.00	134.12	111.77	111.86
World Ex. So. Af. (2407)	133.09	+15.8	111.76	118.14	2.31	134.50	111.87	118.66	134.50	113.26	112.32
World Ex. Japan (2011)	113.75	+11.1	95.52	108.46	3.65	114.81	95.49	109.04	115.54	100.00	100.44
The World Index (2467)	132.98	+15.6	111.67	118.03	2.32	134.40	111.79	118.55	134.40	113.37	112.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987
CONSTITUENT CHANGES: Deletions: Crown Corp. (New Zealand), Gould (U.S.) and Kaisertech (U.S.).
Name changes: Nihon Radiator to Calsonic and Nippon Gakki to Yamaha (both Japan).

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Stock
GOLD C	$420	58	5.50	31	18 B	38	28	$420.90
GOLD C	$440	40	0.90	5	8	-	-	$420.90
GOLD P	$370	50	0.30	-	-	-	-	$420.90
GOLD P	$390	-	-	-	-	25	4.60 B	$420.90
GOLD P	$400	-	-	40	5	10	7.80	$420.90

Remaining series (GOLD P, EOE Index C/P, $/FI C/P, ABN, AEGON, AHOLD, AKZO, AMEV, AMRO, BUHRMANN-T, ELSEVIER, GIST-BROC, HEINEKEN, HOOGOVENS, KLM, KNP, NEDLLOYD, NAT.NED, PHILIPS, ROYAL DUTCH, UNILEVER, VAN OMMEREN): [illegible]

TOTAL VOLUME IN CONTRACTS: 26,374
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

[illegible]

NOTICE TO HOLDERS OF

HDK

HOKURIKU ELECTRIC INDUSTRY CO., LTD.

Bearer Warrants to subscribe up to ¥5,057,500,000 for shares of common stock of Hokuriku Electric Industry Co., Ltd. issued in conjunction with the U.S.$35,000,000 2½ per cent. Guaranteed Bonds 1992

Pursuant to the provisions of the Instrument (the "Instrument") dated 7th May, 1987 under which the above-mentioned Warrants (the "Warrants") were issued and the terms and conditions of the Warrants, notice is hereby given as follows:-

1. On 27th October, 1988, Hokuriku Electric Industry Co., Ltd. (the "Company") issued the DM100,000,000 2¼% Bonds 1988/1993 guaranteed by The Hokuriku Bank, Ltd. with warrants to subscribe for shares ("Shares") of common stock of the Company by way of a public offering outside Japan. The initial subscription price for the exercise of such warrants is less than the current market price per Share (as defined in the Instrument).

2. Accordingly, the subscription price of the Warrants in effect prior to adjustment, which was ¥549 per Share, has been reduced to ¥545.10 per Share with effect from 28th October, 1988 (Tokyo time).

HOKURIKU ELECTRIC INDUSTRY CO., LTD.
By: The Sumitomo Bank, Limited,
London branch
as Principal Paying Agent

Dated: 7th November, 1988

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices November 4

[illegible]

MONTREAL

Closing prices November 4

[illegible]

INDICES

NEW YORK – DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

[illegible]

SWITZERLAND Swiss Bank Ind. (31/12/58) ...	579.6	578.5	581.7	580.9	582.3 (21/10)	464.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70) ...	(u)	475.8	474.9	474.1	475.8 (3/11)	401.0 (21/1)

**Saturday Nov. 5: Japan Nikkei 28,046.75 and TSE 2,145.05

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Am Medical Intl	5,059,400	17 1/8	– 5/8	Southern	1,826,400	22	– 1/8
Sears Roebuck	3,198,300	44 5/8	– 1 5/8	Kraft	1,823,100	103 1/8	—
RJR Nabisco (xd)	3,148,900	85 5/8	– 1 1/8	IBM (xd)	1,716,500	120 1/8	– 2
Maxerlife	2,559,500	1 1/2	– 1/8	AT&T	1,697,300	28 1/8	– 1/8
DPL Inc	2,149,000	27	—	Ford Motor	1,622,100	49 5/8	– 3/8

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

*TOKYO - Most Active Stocks

Friday 4 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	170.1m	880	+7	MHI	63.1m	1,030	+ 10
Sumitomo Metal	110.9m	770	+11	Kobe Steel	55.1m	724	+ 11
IHI	89.0m	1,320	+30	Nisshin Steel	42.9m	1,200	+ 30
Kawasaki Steel	81.4m	1,110	-10	Tokyo Gas	33.3m	1,490	+ 10
NKK	74.4m	865	+9	Nippon Mining	31.4m	787	-1

*Tokyo closed November 3

4pm prices November 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
27⅞	14	AAR	.44	1.8	18	61	25	24⅞	24⅞	- ⅛
10⅛	9	ACM n				97	9½	9⅜	9½	+ ⅛
12⅛	10⅞	ACMIn	1.26a	11.		387	11⅜	11¼	11⅜	
10⅛	10	ACM M n				113	10⅛	10	10	
12⅛	10⅝	ACMSc	n1.26	12.		478	11	10⅞	10⅞	- ⅛
10¼	8⅞	ACMSp	n1.01	11.		x209	9⅛	9	9	- ⅛
6⅛	3⅞	AM Intl				854	5	4⅞	4⅞	
23⅛	18⅛	AM Int pf	2	9.3		90	21¾	21½	21½	+ ¼
51¼	26⅞	AMR			8	4003	49⅜	48⅝	48⅝	-1
27	25	ANR pf	2.67	10.		6	26½	26¼	26¼	
9½	5⅝	ARX			10	1721	6	5⅞	6	
58⅜	35¼	ASA	3	7.4		705	40½	39⅞	40½	+ ⅜
20¼	11	AVX	.12e	.7	12	268	18¼	17¾	17¾	- ⅝
52⅛	42¼	AbtLab	1.20	2.6	15	2968	47½	47	47	- ¾
21⅞	15⅞	Abitibi g	1			465	16⅞	16⅜	16⅜	- ½
13⅞	8½	AcmeC	.40	4.7		69	8⅝	8½	8½	- ⅛
8⅞	6½	AcmeE	.32b	4.8	29	1	6⅝	6⅝	6⅝	
29½	12¾	Acusn			22	271	23⅛	22⅞	23	+ ⅛
17⅜	14⅝	AdaEx	3.05e	18.		135	16⅞	16⅝	16⅝	- ⅛
18⅞	7½	AMD			18	3545	9⅛	8⅝	8⅞	
43½	29¼	AMD pf	3	9.1		4	33	32⅞	33	
8½	4⅝	Adobe				47	7⅛	7	7⅛	
9⅞	5⅞	Advest	.12	1.7	22	78	7⅛	7	7	- ⅛
53½	39½	AetnLf	2.76	5.6	8	2832	49⅞	49⅛	49⅛	- ⅞
34¼	20½	AflPb s	.20	.7		853	29	28⅜	28⅞	- ⅜
18⅞	13	Ahmans	.88	5.4	10	2115	16⅞	16¼	16¼	- ⅜
4⅝	1⅞	Aileen				19	4	3⅞	4	
53⅜	30⅝	AirPrd	1.20	2.9	11	1402	41⅞	41½	41½	- ¼
19⅜	11⅛	AirbFrt	.60	3.2	19	x233	18⅛	18⅜	18⅜	- ¼
16¼	6⅞	Airgas			17	91	15¼	15	15	- ¼
20	14½	Airlease	2.40	13.	8	21	18⅝	18½	18⅝	
26⅝	22½	AlaP	pf2.10e	8.8		2	24	24	24	+ ⅛
9⅞	8⅝	AlaP	dpf.87	9.2		13	9½	9⅜	9½	+ ⅛
97	87	AlaP pf	9	9.4		z50	95½	95½	95½	+1

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Continued on Page 45

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
108⅛	83½	Quantm	3	3.0	8	x1800	101	100	100	− ⅛
10⅞	8¼	QstVl	1	9.4		65	10⅝	10½	10⅝	
6⅞	4⅞	QstVC	.77e			433	6⅝	6⅝	6⅝ − ⅛	
35⅝	29⅞	Questar	1.60	6.7	41	322	32¾	32½	32¾ + ¼	
14½	10	QkReily	.24a	2.1	8	78	11¾	11⅝	11⅝ − ⅛	
− R − R − R −										
12⅞	4½	RBInd				55	10¼	10⅛	10¼	
88½	43	RJR Nb2.20		2.6	15	xd1569	86⅛	85⅛	85⅝ − ⅛	
120	100½	RJR pf11.50		11.		3	103½	103	103½ − ½	
11⅞	5½	RLC	.20	1.7	8	58	11⅝	11¼	11½ − ⅛	
12½	8	RLI Cp	.36	4.4	6	16	8⅞	8⅛	8⅛	
6⅞	3½	RPC			15	16	5⅝	5⅝	5⅝ − ⅛	
31⅛	30⅝	Racal n				2319	30⅝	d30⅛	30¼ − ⅛	
2⅛	13-32	Radice				220	½	7-16	½	
88⅝	67⅞	RalsPur	1.50	1.8	14	1089	82⅞	81½	81½ − 1⅞	
10⅛	4⅞	Ramad				1419	9½	9⅜	9⅜ − ⅛	
9½	3¼	RangrO			.44	789	8½	8¼	8¼ − ¼	
54⅛	33	Raycm	.32	.9	11	738	37⅞	36½	36¾ − ⅛	
12½	8⅝	RJamFn	.10b	1.6	10	3	10⅛	10⅛	10⅛ − ⅛	
21⅝	14⅝	Rayonr	2.60	13.	6	54	20⅝	20⅛	20½ − ⅛	
8½	3¼	Raytch	.05e	1.2	54	46	3⅞	3⅝	3⅝ − ⅛	
73⅞	57⅛	Raythn	2	2.8	10	749	72	70⅞	71 − 1⅛	
2¼	½	ReadBt				706	⅞	½	½ − 1-16	
6⅛	1⅝	RdBat pf				9	1⅞	1⅞	1⅞	
4⅛	1⅝	RdBt pfA				5	1⅝	1⅝	1⅝	
19	15½	REIT	1.34	8.2	16	26	16¼	16⅛	16¼ + ⅛	
11⅛	6½	RecnEq			22	168	8⅛	8	8 − ⅛	
10⅛	6¼	Redmn	.36	3.7		43	9⅝	9⅝	9⅝ − ⅛	
18⅝	8½	Reebok	.30	2.3	9	5518	13½	13	13⅛ − ⅛	
1⅞	3-16	Regal				447	¼	3-16	3-16 − 1-16	
6⅛	4⅛	RegIFu	.25e	3.9		385	6⅜	6⅜	6⅜	
18⅜	11⅝	ReichTc	1.76	12.	9	32	14½	14⅜	14⅜	
7½	4½	RelGrp	.32	6.6	7	180	5	4⅞	4⅞	
6⅞	4⅝	RepGyp	.20	4.1	24	183	5	4⅞	4⅞ − ⅛	
48⅛	36¼	RepNY	1.20	2.7	11	239	44⅞	44¼	44⅝ + ⅛	
23⅛	17½	Rexene	n.10e	.9		580	17⅞	d16⅝	17 − ⅛	

[illegible]

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
− X − Y − Z −										
63	50⅛	Xerox	3	5.1	10	2017	59⅛	58⅞	58⅞ − ½	
50⅛	47	Xerox pf4.13		8.8		1	47⅛	47⅛	47⅛	
38⅝	19⅛	XTRA	.72	2.0	15	81	36½	36	36¼ − ⅛	
29¾	19⅝	XTRA pf1.94		6.9		1	28⅛	28⅛	28⅛	
59⅞	19½	Yorkln			14	69	51½	51¼	51½	
3⅞	2⅛	Zapata				124	2½	2⅜	2½	
27⅞	13½	Zayre	.40	1.5	176	x8594	26⅞	25⅞	26⅞ + ⅛	
15½	8⅛	Zemex	.40	2.7	18	8	14⅝	14⅝	14⅝ + ⅛	
30	13	ZenithE				980	20	19½	19⅝	
10⅛	8½	Zenin n	.48e	4.9		137	10	9⅞	10	
4⅞	1	vjZenLb				416	2⅛	2	2 − ⅛	
21⅝	13⅛	ZenNtl	.80b	4.6	8	85	17⅞	17¼	17¼ − ⅛	
17¼	11¾	Zero	.44	2.6	14	61	17	16¾	16⅞	
29	15½	Zurnlo	.88	2.6	16	353	26⅛	25⅞	26⅛	
11⅛	8	Zweig	1.04	10.		379	10⅜	10¼	10⅜ + ⅛	
10⅛	10	ZweigT	n.08e	.8		x651	10	d 9⅞	10 + ⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 4pm prices November 3

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolohn	.28	9 41	16¼	16	16⅛	− ⅛
WolvEx		213	8	7⅞	7⅞	+ ⅛
Worthg	.44	14 499	21¼	21	21	
Wyman	.80	16 332	15¾	15½	15½	
− X − Y − Z −						
XL Dta		15 164	26	25½	25½	− ½
XOMA		204	12½	11¾	11¾	− ½
X-Rite s		13 150	9	8¾	8¾	− ¼
Xicor		12 1807	7½	7¼	7⅜	
Xyvsn		1	5⅛	5⅛	5⅛	+ ¼
YelowF	.70	20 546	33¼	32⅞	33	− ⅛
ZionUt	1.44	35	24¼	23⅜	23⅜	− ⅝

The Business Column

Medium size can win in Europe

One of the prime driving forces behind the current scramble for cross-border acquisitions and alliances in Europe is the dogma that, in the expanded "single market" after 1992, scale will triumph automatically in most industries and market segments.

If that were literally true, there would be no sustained future for small and medium-sized businesses in many sectors.

This is as manifest a nonsense in Europe as it is in the much larger, frontier-free American market which the Eurocrats are trying to replicate. Big may be beautiful in industries where competitive advantage rests heavily on scale of product development, manufacture, distribution, brand advertising and so on, but several of these factors need to be combined before smaller-scale enterprises are excluded from the reckoning.

Except where such a company possesses some transitory advantage in its product or service concepts, or in its technology, this is increasingly the case in consumer electronics, computers, telecommunications, the motor industry, and steel. But it is far from true of other capital-intensive industries such as chemicals and food, as was demonstrated by our Management Page series on medium-sized manufacturing companies in the north-east of England, which ended last week.

The companies featured in the series included one from each of these sectors; both are thriving because of their ability to move much faster than larger competitors.

Lesson from the north-east

The same applies to the other enterprises featured in the series, in a wide range of industries. All have had difficulty trying to establish themselves on the continent, but most are starting to succeed in treating western Europe as a more open set of markets.

This is by no means the same as the "enlarged home market" advocated by Brussels theoreticians. As the series demonstrated, almost every European product market is characterised by obstinate differences in distribution patterns, and often in customer preferences as well. Compared with these, the regulatory and other barriers scheduled for removal in the 1992 harmonisation programme are of little consequence in many sectors.

A further lesson from the north-east companies is that in most industries the development of the enlarged European market is part of a much broader phenomenon: the globalisation of competition.

This does not imply that they are pursuing the dangerously overstated doctrine of global product standardisation: unlike some of their much larger competitors, they have all learned the need to cater for widely varying preferences at the lowest possible cost – this is one of their prime competitive weapons.

In spreading their tentacles abroad, some are aiming to achieve large scale at the earliest opportunity; for MTM chemicals, for example, this is partly because of pressure from its industrial customers to establish local manufacture.

Others, such as Derwent Valley Foods, which makes Phileas Fogg cocktail snacks, are in industries where direct exporting is a viable alternative to local manufacture.

They have the option either of investing heavily in continental sales and distribution networks, or of proceeding more carefully – though also with some risk – in the hands of a large-scale distributor or a joint venture partner.

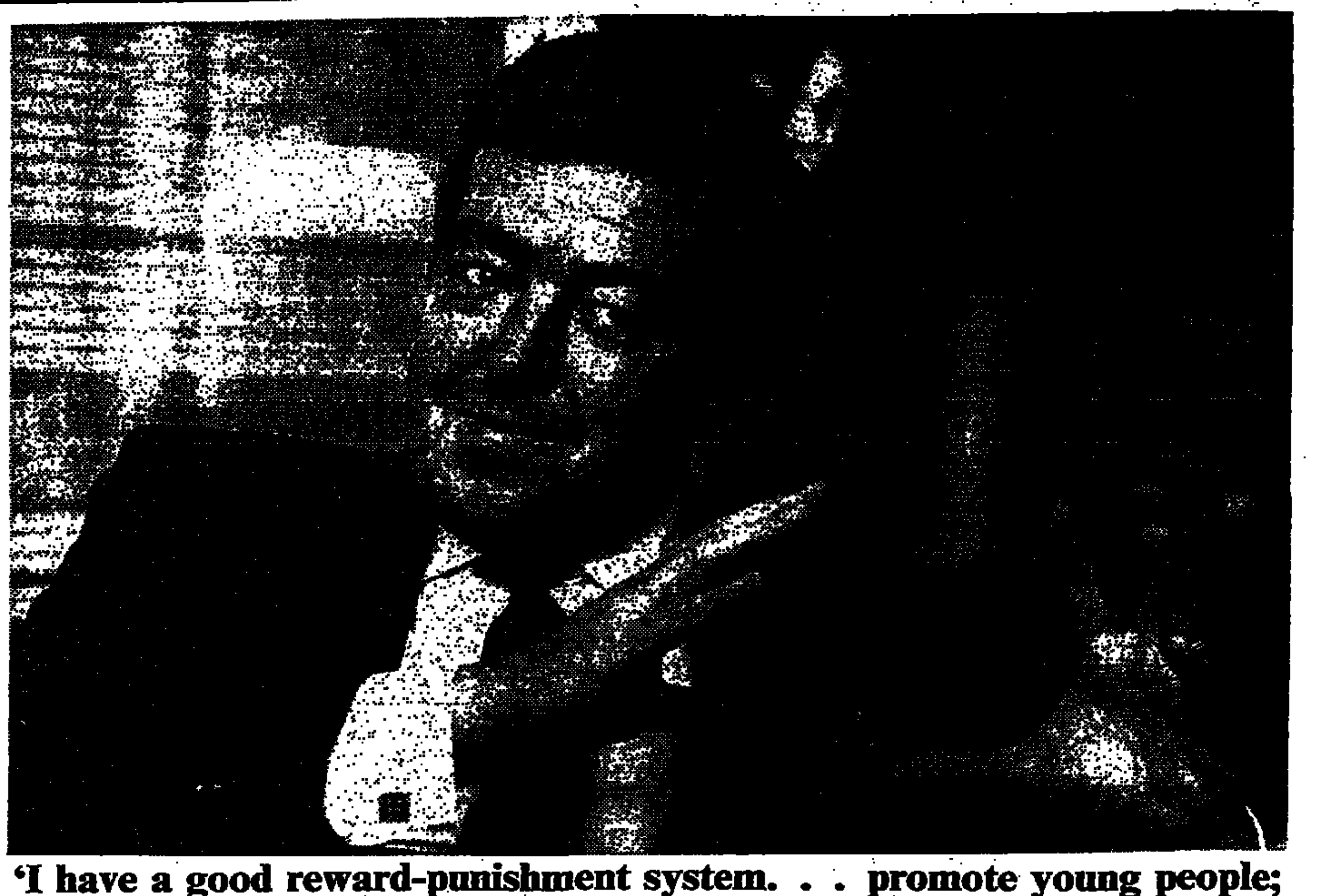
Whatever their approach, companies of this kind will remain a fixture in the European industrial landscape provided they can retain their innovative character and nimble-footedness. They may become larger than when they operated in a purely national context, but they will still be minnows compared with the big fish which dominate their industries. Scale is not necessarily vital to competitiveness, but internationalism is becoming so.

Christopher Lorenz

THE MONDAY INTERVIEW

Multi cycle man

David Owen meets Victor Rice of Canada's Varity Corporation



'I have a good reward-punishment system. . . promote young people; give them loads of responsibility; give them a chance to fail'

Victor Rice remembers the opening day of the 1986 baseball season with particular clarity. "There were 52,000 people in Exhibition Stadium" in Toronto, he recalls. "Sitting in a box I suddenly for one fleeting second had this horrifying thought: that everyone in the stadium was an ex-employee of Varity. We had just at that moment fired our 52,000th person."

The anecdote is indicative of the daunting scale of the retrenchment over which Mr Rice has presided during his 10 years at the helm of Canada's oldest multinational company. The former firm of Massey-Ferguson (renamed the Varity Corporation in 1986) now employs just 16,300 people. The manner in which he tells the story conveys something of the self-assurance with which the decade-long war of attrition has been waged.

Such self-confidence is sometimes interpreted as arrogance in this gravel-voiced Englishman. But Victor Rice's achievement in salvaging a potentially rich diversified industrial holding company from the wreckage of a venerable farm machinery manufacturer has earned him the admiration of his peers. Both personally and professionally, the chain-smoking chimney-sweep's son from Hitchin – a man who once turned down a job with the London Rubber Company because he did not want to tell his friends he sold condoms – has come a long way.

When, as an ambitious 37-year-old, he assumed the presidency in September 1978, Massey was in crisis – days away from reporting the largest loss in the history of Canadian business. In the 1950s and 1960s, the company had embarked on a world-wide expansion under Albert Thornbrough, an enthusiastic exponent of the concept of the fully-integrated multinational corporation. But it had grown complacent, and been slow to react when the market turned against it in the 1970s. By mid-1978, hampered by the reluctance of the controlling Argus investment group to sanction a new equity issue, Massey's borrowings had ballooned to US$ 1.3bn (£764m), supported by shareholders' funds of only $650m.

Against this backdrop, Rice – who had risen through the ranks of the organisation after joining the group's diesel-engine manufacturing subsidiary, Perkins Engines – was appointed president and given a mandate to cut costs, extract Massey from a disastrous move into the construction equipment business, and to carry the company out of trouble when agricultural markets improved.

But the agricultural upturn never came. By the end of 1980, borrowings had doubled to $2.6bn, or 4.6 times the level of shareholders' funds, an untenable level. At some point during the dreary succession of plant closures, creditors' meetings, refinancings and quarterly losses, Mr Rice decided the company should no longer be subject to the ebb and flow of a solitary market.

● PERSONAL FILE

1941 Born Hitchin, Herts
1957 Turned down entry-level position with London Rubber Co; joined Ford
1964 Moved to Cummins Engines
1968 Joined Chrysler
1970 Controller, north European operations, Perkins Engines
1975 Appointed controller, Massey-Ferguson in Toronto
1978 Became president and chief operating officer
1980 Appointed chairman, chief executive and president

Accordingly, once the company acquired the ability to tread water even in today's much diminished farm machinery sector, the new Varity began to take shape – designed to be as immune as possible to the vagaries of economic cycles.

"The whole idea in the businesses that we are supporting, developing or acquiring," explains Mr Rice, "is to get 'multicycles' in there – for want of a better word. The businesses that we are getting into are actually much more segmented than people would generally say. The old Massey-Ferguson was very dependent upon one industry."

It is simplistic, Mr Rice believes, to see the North American motor accessories sector – which Varity has entered with the purchases of Dayton-Walther and TRW's truck parts division – as governed by a single business cycle. "In fact, you have got cars, light trucks, medium trucks and heavy trucks. Recent historic evidence suggests that they are all on different cycles."

Moreover, Varity now supplies both original equipment manufacturers and (through the former TRW operations) the parts after-market. Since demand for parts for use in repairs is likely to peak when new vehicle sales are at their lowest, the after-market may actually be construed as counter-cyclical. "At least that is the theory," chuckles Mr Rice.

In line with his aversion to cyclical businesses, Mr Rice has tried to maximise the applications ("everything from welding sets to refrigeration units") for which Varity diesel-engines are used. In doing so, he has effectively decoupled Perkins (a subsidiary of the group since 1959) from the foundering Massey and other agricultural machinery original equipment manufacturers.

Even the original agricultural business – and Varity still lays claim to over 20 per cent of the global tractor market though it no longer makes combine harvesters – is being restructured with "multicycles" in mind. "There is no reason why our agricultural distribution businesses cannot distribute a number of peoples' products," Mr Rice says.

At the same time as comprehensively reshaping the nature of Varity's business, Mr Rice has instilled his own management philosophy into a company which Albert Thornbrough dominated for 22 years. He encapsulates his views in two maxims: "Have a good reward-punishment system, which in our company is very good bonus incentives for achievement and zero for failure," and "Promote young people; give them loads of responsibility; give them a chance to fail."

The company's varied venture capital investments provide one avenue for the delegation of such early responsibility. Certainly, they are given every chance to fail. "The truth of the matter is that venture capital things fail with regularity," Mr Rice asserts. "And the ones that don't fail hobble along and irritate the hell out of you and most companies have the desire to scratch them off and forget them."

Injudicious diversification was partly responsible for the mess which Mr Rice inherited at Massey. Nevertheless, he dismisses any suggestion that Varity's current diversification drive – the target is for no business segment to account for more than 35 per cent of gross revenues by 1990 – might lead to history repeating itself.

"This company launched into diversification in the early 1970s by getting involved in businesses where the fundamental componentry was supposedly similar. Virtually every company in our industry said 'we are in agricultural equipment, we have got to be in construction equipment because it is something we understand.' They also said 'we have got this super worldwide distribution system and we can put this extra construction equipment through it.' Of course, in that blinding flash they made the classic error: the construction equipment distribution system is urban, whereas in agriculture it is predominantly rural."

"If you look at what we have done in diversification in the UK: first, we acquired businesses with which we are extremely familiar; second, we are still selling to original equipment manufacturers and selling to one is essentially the same as selling to another; third, they are not hugely distribution-dependent. Diversification in North America has been based on essentially the same principles. We feel comfortable with all that boring rust-belt medium-technology."

"The $1.5bn of debt which we started off with when I first took over," he says, "was all cross-guaranteed from the centre: any one bit fell and the whole company would fall. For seven years, we have been not only reducing the amount of debt but also changing it from being centrally cross-guaranteed to being individually attached to businesses."

Mr Rice – a self-professed "long-term strategist" and an admirer of Mr Warren Buffett, the Nebraska-based investor – is particularly bullish about the future prospects for diesel engines. Since there is a finite supply of oil, he reasons, oil prices over the very long term will rise. This will spark "an inexorable increase in diesel engine demand versus petrol engines."

He also stresses that Varity now has "a sophisticated succession-planning process" – something of an innovation for the 141-year-old concern. "I mean a really sophisticated system that says 'if the guy in this job gets run over by a bus tomorrow, who would you put there; if you have enough time to take the right person who you think will be available with a little bit more training – say a two-year horizon – who is it; and if you have a nice long five-year horizon, is it a different person?'"

Eminently alluring as a long rest may appear at present ("God, I'm only 47. I look 65. It's fairly taxing"), it is hard to imagine the energetic amateur golfer retreating just yet to his early 19th century house in the picturesque Ontario town of Niagara-on-the-Lake. On the other hand, he says "much to my own personal amazement" that he has recently acquired a taste for gardening. He has become quite proficient, too. "I am now the local supplier of chilli peppers to the neighbourhood Chinese restaurant," he says proudly.

MPs must make their purpose clear

JUSTINIAN

For over a century and a half the courts of this country have zealously guarded communications between a legal adviser and the client whose privilege it is to prevent disclosure. A major inroad upon that general rule was sanctioned last week in a three-to-two decision of the House of Lords.*

Confidential communications passing between a client and his legal adviser need not be given in evidence by the client; nor may they be given in evidence by the legal adviser without the client's consent. The communications are protected against disclosure in two situations – first, if they are made to enable the client to obtain, or the adviser to give, legal advice; and secondly, if made in relation to legal proceedings actually taking place or contemplated by the client. Apart from the client's ability always to waive the privilege, there are exceptions to the rule, the most important of which occupied rival judicial views in the House of Lords.

If a client seeks advice from a lawyer intended to guide him in the commission of a crime or fraud, the legal adviser being ignorant of the purpose for which the advice is wanted, the communication between the two is not privileged. If the law were otherwise, a man intending to commit a serious crime such as an act of terrorism might safely take advice for the purpose of enabling him to commit his crime with impunity.

Courts frequently have to judge whether disclosure should be ordered in any particular case, but the judges have been cautious not to compel disclosure unless clearly warranted. The rule of legal professional privilege and its exception with regard to communications to facilitate crime or fraud was applied by the judges unaided by the legislature until the Police and Criminal Evidence Act 1984. Part II of the Act contains the code of important powers of entry, search and seizure to enable police officers in criminal investigations to obtain access to relevant evidential material. An Act of 1986 provided a particular code for investigations into drugs trafficking.

Although the latter Act contains its own special procedure and in some respects amplifies and fortifies the powers of the 1984 Act, the two codes have much in common. Throughout there is a constant theme: "Items subject to legal privilege" are placed beyond the reach of any investigative powers.

The case in question involved the suspicion that documents relating to the purchase of property would disclose the laundering of the proceeds of drug trafficking by a member of the family of the solicitor's client who was innocent of any knowledge of the origins of the money.

When in 1984 parliament codified the law on the subject of legal professional privilege it specifically provided for the exception to the rule. It said that "items held with the intention of furthering a criminal purpose are not items subject to legal privilege." On the face of it the law seemed to correspond to the exception grafted on to the rule as developed by judges over the years. But did it? On this key question the five Law Lords were in fundamental disagreement.

To whose intention of furthering a criminal purpose did the parliamentary language refer? The problem was to identify the person whose intention to further the criminal purpose was embraced by the 1984 Act. Clearly the criminal purpose could certainly be that of a third party. The minority of the Law Lords thought that, without identifying the nature of the link that must exist between the third party's criminal intention and the holder of the item (the legal adviser), the extension of the provision to the third party's intention could not be justified.

The majority thought, on the other hand, that to restrict the ambit of the statutory provision would rob it of all content. It would limit its application to some future criminal purpose, whereas, in the nature of things, the police are almost always investigating crimes that have been committed.

The essence of the disagreement among the Law Lords thus rested upon speculation about precisely what parliament had in mind when passing the law. The minority was wholly unprepared to speculate so as to substitute clear and unequivocal language. To do so would be, Lord Oliver of Aylmerton said, to discard the judicial robe and don the mantle of legislator. The majority did not shrink from judicial lawmaking, on the grounds that that was what parliament was bidding the courts to do.

The police regard the case as of crucial importance and were unashamedly seeking to facilitate criminal investigations at the expense of legal privilege. The majority's ruling would seem to invest the police with unlimited access to privileged material which could be plausibly suggested to the courts to be intended to serve a criminal purpose irrespective of any connection between the party claiming privilege (solicitor's client) and the party whose criminal purpose was claimed to be served.

If the minority view had prevailed, the pre-1984 rule that the criminal intention of the client who deceived his solicitor would have deprived the communication of any privilege, would have been reversed by the 1984 Act. The majority view on the other hand involves the parliamentary extension of the pre-1984 rule, by deciding that otherwise privileged communications between an innocent solicitor and his innocent client may lose their privilege by reference to the intention of some third party.

Since both sides to the argument sought to unfathom the parliamentary intention and came to diametrically opposed decisions, it must be for parliament to take an early opportunity of saying what it did in fact intend the law to be.

**R v Central Criminal Court, ex parte Francis & Francis, November 3 1988*

SECTION III

FINANCIAL TIMES SURVEY

Georgia, particularly its dynamic capital Atlanta, is suffering from problems which "curse the rich and growing". As Janet Bush reports, the task ahead is to cool an overheated economy, encourage balanced geographical expansion, and beef up social services.

A boom with social costs

"What makes Atlanta so appealing, especially when compared with New York, is its naiveté, its innocent belief that it can do whatever it sets out to do. Its optimism is not braggadocio, like Houston in the 1970s. Nor is it the neurotic insecurity of some Midwestern cities, pining to be accepted by the East Coast. Atlantans want their city to be counted among the major cities of the country but not necessarily at any cost."

THIS EXCERPT from an essay written by Mr Otis White, editor of the monthly magazine Georgia Trend, gives a flavour of the ebullient but cautiously self-critical attitude of Georgians towards their capital city and, by extension, their state.

Atlanta accounts for around half of the personal income, employment and population of this large state at the hub of the south-eastern corner of the US. Since the second world war it has become a major centre of commerce, industry and culture with a fully-formed intellectual infrastructure to rival those of older established cities such as New York, Boston or Chicago.

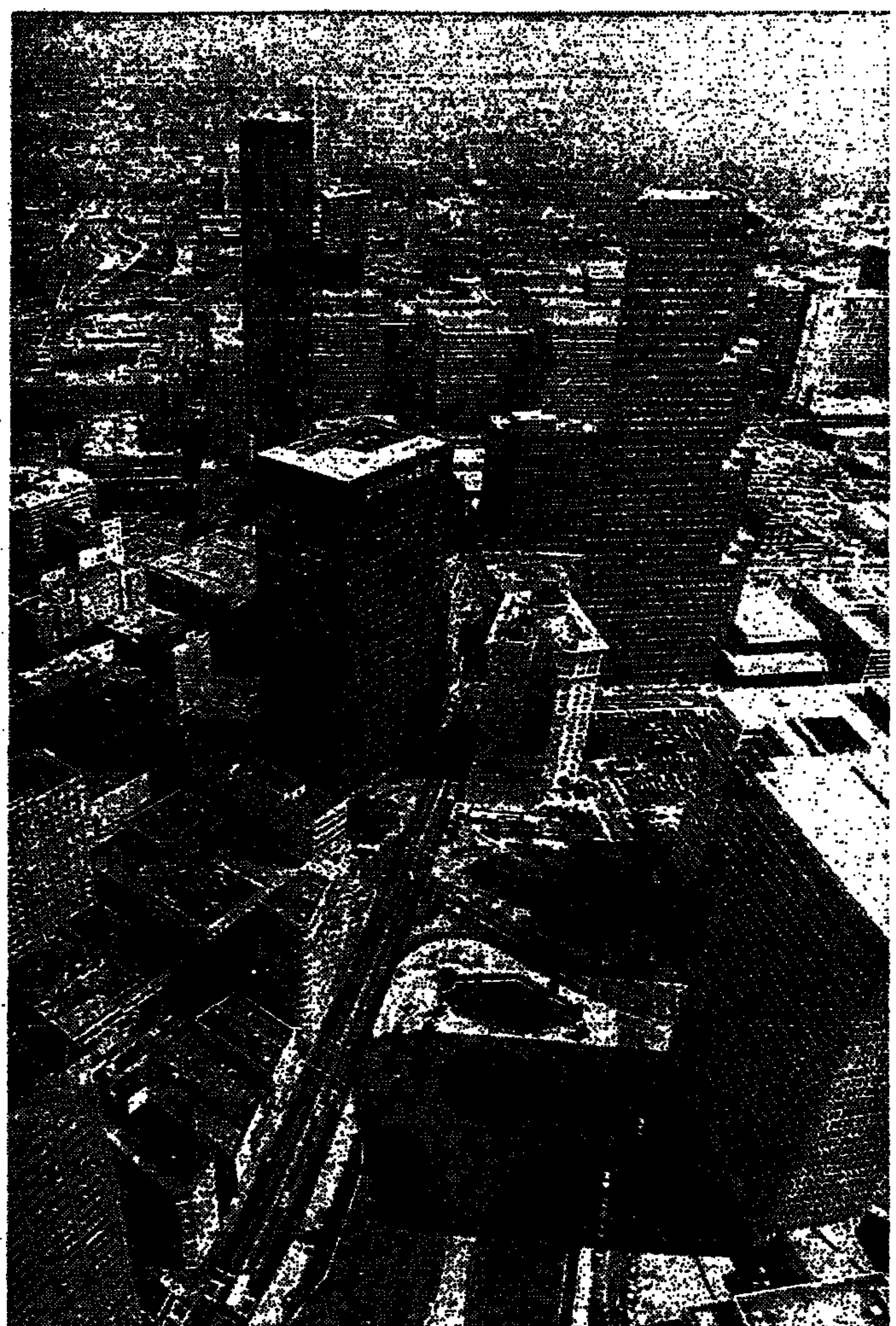
It is Georgia's flagship and showcase, and decisions made here provide the key to Georgia's continuing evolution from a typical, predominantly rural and sometimes old-fashioned southern state into the strong, developed and balanced economy which its political leaders envisage.

This year, Atlanta achieved international prominence when it hosted the Democratic convention, a sign that its status as a major city had been recognised by the nation.

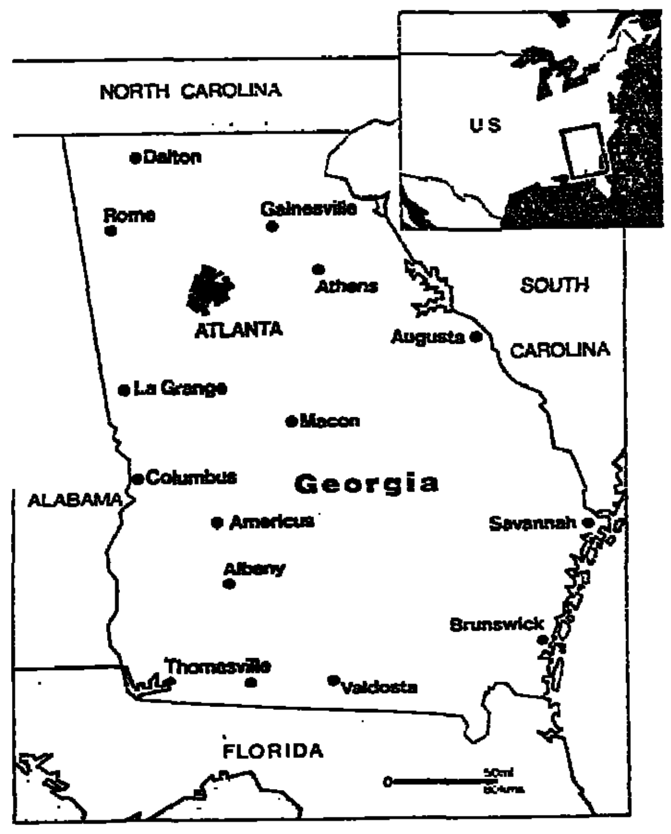
There are countless other measures of what has been a considerable success story. Georgia, and particularly the Atlanta area, has outdone the nation and the south-east region in attracting foreign investment, and there is no sign that the popularity of the state with overseas companies is waning.

It has also proved a magnet to US corporations, notably RJR Nabisco which moved its headquarters to Atlanta. The city is now more than interested in whether the company will be taken private by its management or bought out by the aggressive New York acquisition vehicle, Kohlberg Kravis Roberts.

The most recent coup was Atlanta's victory over Dallas and Baltimore in persuading the American Cancer Society to set up in the city when it decided to relocate its headquarters from New York.



ATLANTA Georgia



It has become the primary source of banking, finance, insurance, legal, consultancy and design services for the entire south-eastern region. No other single city, not even Miami, Florida, rivals Atlanta in these areas. It is also one of the most popular convention cities in the nation.

The city also boasts Hartfield International Airport, which rivals Chicago's O'Hare airport as the busiest in the US. The Metropolitan Atlanta Rapid Transit Authority's surface and underground network is recognised as state of the art.

Atlanta is a centre of education, with universities such as Emory and Georgia State attracting the brightest youngsters from all over the south. It is becoming a prime centre for medical research, hosting the Centres for Disease Control as well as the American Cancer Society.

The city is a vibrant and innovative centre for research and development. Georgia Tech has forged close and dynamic links with industrialists throughout the state, and had a considerable hand in the development of high-tech companies such as Hayes Microcomputer, which has set the standard for modems used in personal computers.

The existence in Atlanta of these hallmarks of a modern and highly developed city is something of which Georgians are justly proud. There is a sense of dynamic teamwork in Georgia, one which partly rests on a visible consensus between the state's political power structure and business leaders.

There is an intense desire to drag the state into the forefront of the national economy, an aim with its roots in history. Mr George Berry, Commissioner for Industry and Trade in Georgia, puts it graphically: "We didn't win the war against the northern states, but we can win economically. We have a tremendous sense of pride in the south and, in Georgia, we decided to get into the economic mainstream, that we could do it and do it in a relatively short space of time."

Atlanta's rapid economic advance has left the state a new set of problems which are now at the forefront of thinking. There are two major concerns.

The first is that the building of Atlanta, with its brave new world of skyscrapers, marble and glass shopping malls and high-tech transport systems, has been so fast that the city now faces some of the classic problems of overheating. It is also beginning to show some of the hallmarks of longer-established cities such as pollution, overcrowding and traffic jams.

The speed of the economic advance during the current economic expansion has also left the social infrastructure lagging behind.

Atlantans tell stories of overflowing class rooms in a city where few new schools were built to accommodate the population explosion. In one county, school children were housed in temporary caravans and are still there. Education, a pressing national issue, is consistently cited as a major problem.

In 1985, the state responded to these concerns with its Quality Basic Education Act, passed by the Georgia General Assembly without a dissenting vote and sweeping in its scope.

It raised funding for education, set teachers' salaries according to market pay for professionals, mandated full-day kindergarten, and used a funding formula designed to provide equality of education opportunities regardless of the relative wealth of a local community.

The aims of the Act were admirable indeed, but local people feel there is still a long way to go, and controversy continues to rumble on about funding the QBE initiative.

The second major challenge faced by Georgia over the next few years is the development of the economy beyond the Atlanta metropolitan area. There are a number of medium-sized cities in Georgia, some of which have seen growth in real estate and manufacturing industry, but none come close to rivalling the power of Atlanta.

One of the persistent questions confronting the state has been how to close the gap between what are commonly called the two Georgias, Atlanta and the rest.

There has been some trickle down from the economic growth of Atlanta, but there are still substantial areas of underdeveloped rural land with little industry and a low standard of living and education.

There is a persistent problem of poverty among blacks, particularly in the country but even in Atlanta which, for all the dynamism of black leaders such as Mayor Andrew Young, remains segregated to a degree and witnesses some grinding black poverty.

As foreign investment continues to pour into Georgia and Atlanta becomes more crowded, overseas companies are beginning to branch fur-

Continued on page 3

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□ *Picture of downtown Atlanta: Ashley Ashwood*

Economy

Joint ventures: manufacturing plant at Macon where US and Japanese engineers work side by side

Glyn Genin

A tale of two Georgias

Georgia and its undisputed flagship Atlanta have outstripped the nation's economic performance during the 1980s expansion, but the period of startling growth has not left its business leaders and politicians complacent.

This year, as hints of grey clouds drift over the horizon, a note of caution has coloured assessments of the economy. Nevertheless, the kind of problems looming in the state might be the envy of other regions.

Atlanta, a vibrant, international city which dominates the key south-eastern region of the US and accounts for 51 per cent of the personal income of Georgia, has been overbuilt but no one expects the kind of real estate disaster which has beset the major cities of Texas.

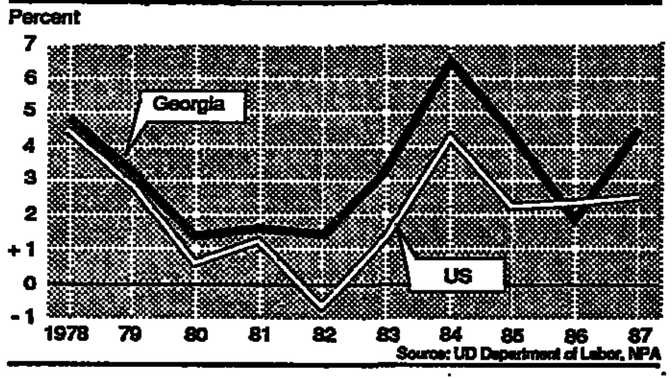
The office vacancy rate of 17.5 per cent at the end of June was still below the national average of 19.8 per cent. But there is a general consensus that the conservatism of local banks since the real estate recession of the 1970s would today prevent any unease in the property market from undermining the solidity of the financial community.

Local economists project that Atlanta will create another 20,000 to 30,000 jobs this year, well down on 100,000 jobs created in 1984. While Atlanta's engines of growth – consumption, services and construction – are slowing, this will be partly offset by a revival in manufacturing as a result of the dollar's depreciation. Atlanta has already seen some employment gains in the primary metals and non-electrical machinery areas.

Having made these positive caveats, there is no doubt that growth in Atlanta and Georgia as a whole has slowed considerably. But any economic study of Georgia has to acknowledge the vast gulf which exists between the state as a whole and its capital, Atlanta.

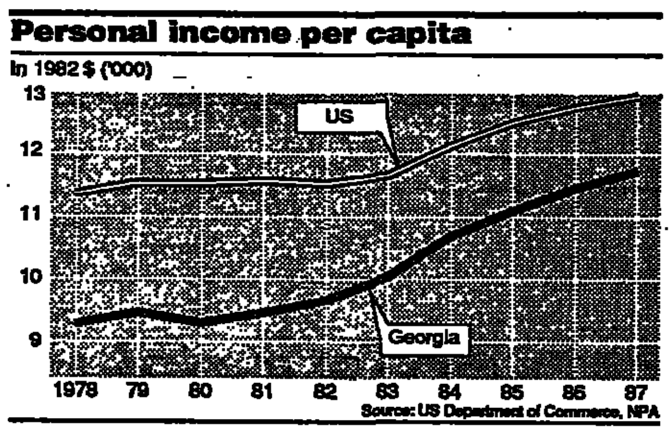
A local, slightly jokey, description of Georgia is of a state comprising Atlanta and surrounded by Mississippi, a reference to substantial swathes of poor, undeveloped rural land which have seen very little trickle down from the extraordinary economic strides made by Atlanta.

Change in unemployment



Source: UD Department of Labor, NPA

Personal income per capita



Source: US Department of Commerce, NPA

Much of the evident slowdown in the state economy can be traced to Atlanta, a reflection of where the growth of the 1980s has squarely been centred. Although the rest of the state is not forecast to perform particularly strongly this year, the gulf between what are commonly known as the "two Georgias" will narrow somewhat because of the expected deceleration in Atlanta.

Mr Donald Ratajczak, director of the College of Business Administration at Georgia State University, says: "We are catching our breath after years of very strong growth. There are now some weak points in the economy."

Much of the weakness in employment opportunities can be traced to the Atlanta area. General Motors' factory is already working short shifts and Lockheed, the biggest employer in the Atlanta area, is expected to shed about 8,000 jobs by the end of this year.

Retailing, which is concentrated in Atlanta, boasts numerous glittering modern shopping complexes, but is in some turmoil with changes of ownership at both Rich's and Macy's. This is squeezing both chains which are major employers in the area.

The brokerage industry, also heavily concentrated in Atlanta, has come under pressure, as in other parts of the country, by the low trading volumes in both equity and bond markets.

Construction has started to decline, although the picture is mixed with apartment building activity still increasing while commercial vacancy rates have started to decline, suggesting that the overbuilding in Atlanta and its environs has already starting to unwind and correct itself.

However, Mr Ratajczak believes that most of the deceleration in economic growth in the state is the result of "one-time corrections to excesses, such as in construction and retail, or a one-time adjustment to special conditions, such as in the transportation equipment and finance sectors.

"Atlanta appears to be adjusting surprisingly well to the slower growth in economic activity that is developing," he says.

He points out that the slowdown in retail activity merely eliminates the excess which has existed since since 1985, that the brokerage industry will start creating jobs rapidly again in 1989 after this year's post-crash retrenchment, and that construction employment will rebound next year.

Beyond Atlanta the picture is mixed. Mr Wayne Gantt, economist with SunTrust Banks in Atlanta, identifies two stages in the state economy's development during the current period of national economic expansion.

In the first, Atlanta was well placed to take advantage of a boom in services, consumption and construction which boosted growth in the city above the national average.

However, as Atlanta's service-based economy inevitably reacts to its "stellar" growth since 1982, the state's manufacturers have failed to get the lift they should have from the dollar's depreciation since 1985.

"The dollar's fall provided a second thruster for economic growth but we have lagged behind in Georgia while the rest of the US has launched off," Mr Gantt says.

This is largely because Georgia's predominant manufacturing industries are in the non-durable sector in direct competition with the low-cost, low-wage economies of Asia. This is particularly true of its substantial textile and apparel manufacturing sector which is finding it difficult to compete with goods produced in, for example, Hong Kong and Thailand.

Overall, however, Mr Gantt is optimistic about Georgia's economic prospects. "Real estate has to be watched but it is manageable. We have seen a froth of economic activity, particularly in Atlanta which was the crucible of growth, and now we are seeing some slow-up. I regard this as healthy," he says.

Economists Mr Frank King and Mr David Avery, of Atlanta Federal Reserve's research department, both believe Atlanta's economic problems are those that "curse the rich and growing."

They warn that the city could "fritter away its advantages if overcrowding of its airport and transport system, pollution, lagging public education and underdevelopment of other amenities reduce its attractiveness relative to other cities."

Local economists say that the longer-term challenge for Atlanta will be to build an infrastructure to support its enormously expanded population and its now highly-developed economy. A much more persistent and stubborn challenge will be to drag the rest of Georgia into anything like the same economic league as Atlanta. Most agree that the fruits of Atlanta's progress have only had a limited effect on the rest of the state although industrial companies, particularly foreign ones, are now beginning to sprout up further away from the capital.

The challenge is being enjoined in an effort to promote regional planning and is spearheaded by a Growth Strategies Commission set up Governor Joe Frank Harris and by the Quality Basic Education programme enacted by the state legislature.

One of the most deep-seated problems is that without an education drive, there will not be enough trained workers to support the continued expansion of the state economy as it moves further away from low-skill agricultural and manufacturing industries towards more high tech businesses.

Janet Bush

FINANCE

Caution prevails in a homegrown sector

BANKS NATURALLY follow business, and Atlanta's explosive growth since the early 1980s has proved a magnet to financial institutions of every shape and size.

Atlanta's premier downtown area – premier because the real estate and business boom has created clusters of tall, glass-clad financial buildings all around the city's sprawling landscape – is based on Peach-Tree Street.

There are suspicious reminders of New York, whose pre-eminence as the nation's financial centre has begun to find rivals as regional banks and brokerages prove their metal all along this busy artery.

It boasts a triangular office tower, the Flatiron Building, named after one of the Big Apples's most famous landmarks at 23rd Street and Broadway and, just along the block, a Brooks Brothers store. Here too are the branch offices of practically every major New York-based securities house.

Jostling among these are the offices of 30 foreign-owned banks, including several from Japan, Britain, Canada, West Germany and Italy.

Then there is the elegant building which houses the Atlanta Federal Reserve which oversees the banks of the south-east region as well as the region's branch of the Comptroller of the Currency.

And, dominating all, are the huge office towers of Atlanta's so-called "super-regionals" including SunTrust Banks and Citizens & Southern.

The overriding reason for this conflagration of financial institutions has been the dynamic growth of the south-eastern region which Atlanta provides with financial and broking services, insurance and legal advice as well as with fine educational establishments, research centres and museums, opera and theatre.

Commenting on the influx of financial institutions, Mr Wayne Gantt, economist at SunTrust, says: "At some point, a critical mass is reached and a financial capital is created."

As the barriers against interstate banking have gradually been dismantled, Georgia's home-grown banks have been carefully building power bases in neighbouring states.

The Trust Company of Georgia, which for years had a close banking relationship with Coca-Cola, Atlanta's most famous multinational, merged with Sun Banks in Florida in the early 1980s which also specialised in trust business and therefore had a natural synergy. Two years ago, SunTrust, as the combined bank came to be called, linked with a Nashville bank with the largest trust department in Tennessee.

Those carefully planned acquisitions have given SunTrust a certain diversification within the services-orientation of Florida in contrast with Tennessee's growing manufacturing base.

Citizens & Southern Georgia similarly spread to neighbouring Florida through the acquisition of Landmark Banking Corp and, in early 1986, expanded to South Carolina by acquiring the similarly named Citizens and Southern Corp.

The super-regionals of the south-east are very favourably ranked by banking analysts but Atlanta's largest banks face stiff competition from their neighbours NCNB, regarded as the most aggressive bank in the region, First Wachovia, one of the most technologically sophisticated, and the impressive Barnett Bank group in Florida.

Neighbouring banks have already shown considerable interest in building power bases in Atlanta. Wachovia acquired First Atlanta in 1985, National Bank of Georgia was sold to a bank in Washington D.C. and First Railroad & Banking was bought in 1986 by First Union of North Carolina.

Atlanta's homegrown financial institutions are solid, conservative and perhaps even a little too cautious. They are also slightly hampered by the fact that Georgia banking laws only allow county-wide branch banking.

As Brown Brothers Harriman of New York comments: "Although each of the large Atlanta banks has built an extensive banking network throughout the state . . . it has been a higher cost and less efficient means of expansion than would have been the case under state-wide branching."

Mr Donald Ratajczak, Professor of Economics at Georgia State University, believes there is still a question mark over Atlanta's pre-eminence as the financial centre of the region.

Georgia's home-grown banks have built power bases in neighbouring states

It is still not the headquarters of all of the big regional banks. First Wachovia is based in Winston Salem, North Carolina (although there is some speculation it may move its head office to Atlanta at some stage). Mr Ratajczak says: "NCNB has more gumption than Trust Co or C & S."

One illustration of this conservative, pin-striped streak in Atlanta's bankers is the fact that plans for the new Georgia Dome football and convention complex lie in the balance because of local banks' refusal to sign a letter of credit.

The plan was that the development would be financed 70 per cent from private sources and 30 per cent from public funds. Banks did not believe the scheme offered enough revenue-generating power and Governor Joe Frank Harris is currently trying to work out an alternative plan to keep the project alive.

These problems apart, Atlanta's banks are solid, high quality operations and are recognised as such. To a large extent, their caution serves them well. They do not have the exposure to Latin American debt that many banks in other states have been saddled with. In addition, they learned the lesson of the real estate recession of 1974 and have protected themselves from the bad property loans which have undermined the health of competitors in Texas, California and Florida.

The strength of the Georgia economy has provided rich pickings in contrast, for example, with Louisiana where some banks have failed because of weak spots in the local economy.

According to economists in the research department of the Atlanta Federal Reserve, Georgia does not share the savings and loans troubles which have surfaced in towns such as Tampa and Fort Lauderdale in Florida because of real estate lending which went wrong.

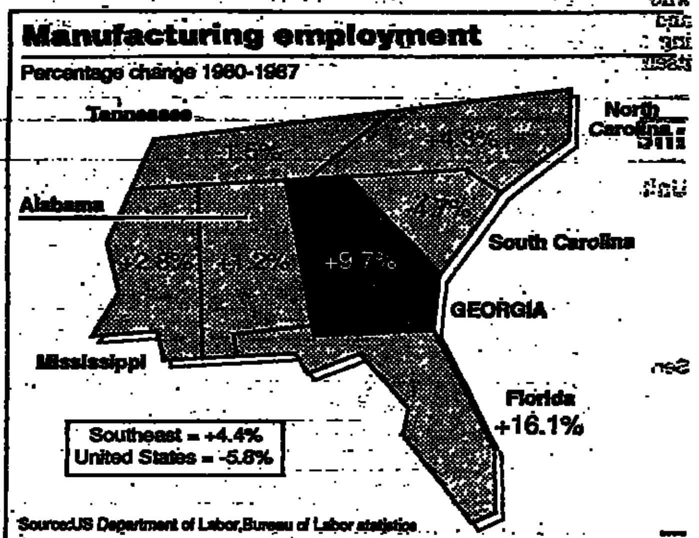
Business trends in Atlanta's burgeoning investment community have been much the same since last autumn's stock market crash, as elsewhere in the country.

Low volume in the securities markets has meant a leaner year for brokerage houses but there are still opportunities in investment banking, particularly mergers and acquisition business, as foreign investors pour capital into the state.

This influx of foreign investors is the key reason for the presence of so many overseas banks. They are prohibited by Georgia banking laws from taking deposits, and therefore do not compete with Atlanta's major banks in the retail area but are active in financing the trade transactions of their own domestic companies now based in the state.

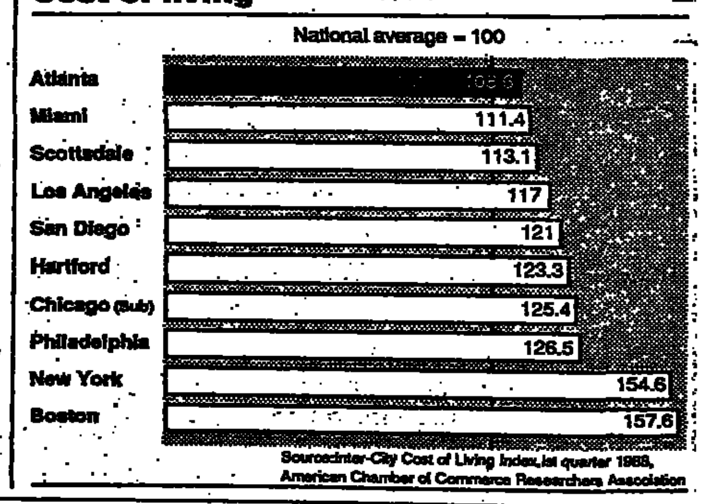
Janet Bush

Manufacturing employment



Source: US Department of Labor, Bureau of Labor statistics

Cost of living



Source: Inter-City Cost of Living Index, 1st quarter 1988, American Chamber of Commerce Researchers Association

FOREIGN INVESTMENT

Hard sell investment strategy pays off

BOOSTERISM IS a word one hears a great deal in Georgia. It describes the penchant of Georgians to relay their enthusiasm for their state to anyone within earshot with the skill of master salesmen and women.

The desire to publicise the virtues of the region has served Georgia well. The state has been highly successful in attracting foreign investment, a fact which will help to sustain the momentum of growth in the region despite a deceleration in those sectors of the economy which have produced explosive growth during the 1980s.

The fast-growing south-eastern region of the US, whose hub is Georgia, outstripped the US average in terms of foreign investment over the period from 1977 to 1985, according to figures provided by SunTrust Banks in Atlanta.

In the seven states which make up the region – Tennessee, Mississippi, Alabama, Georgia, North and South Carolina and Florida – nearly 1.7m jobs were created in companies with a significant foreign investment, a 13.2 per cent annual rate over the eight-year period compared with the US average of 11.4 per cent.

Georgia was the leading state of the region with almost 16 per cent growth in US foreign affiliate employment. In 1987 alone, the depreciating dollar gave a dramatic boost to foreign industrial investment in the state. Projects costing $611m were initiated, making up 29 per cent of total investment in manufacturing in Georgia, according to monthly business magazine Georgia Trend.

In 1987 there was a dramatic boost to foreign industrial investment in Georgia

According to the Georgia Department of Industry and Trade the number of international facilities in the state now stands at 1,257 from 34 countries employing more than 76,000 people. This compares with only 150 foreign companies in 1975.

Although Japanese investment has caught nationwide attention – and attracted a degree of paranoia – first and second in the rankings for announced capital investment in the state are Australia and Canada. Japan ranks third, with Britain fourth.

Georgia's business leaders and politicians have put considerable hard work into selling the merits of investing in the state.

Its Department of Trade and Industry has four representatives overseas: in Brussels, Toronto, Tokyo and Seoul. Mr George Berry, Commissioner for Trade and Industry, has recently returned from Australia where he was hunting for investment. Governor Joe Frank Harris regularly makes two trips a year, to Europe in the spring and South East Asia in the autumn. And Atlanta's Mayor Andrew Young, whose stint as President Jimmy Carter's Ambassador to the United Nations won him prominent friends overseas, is now using his undoubted charisma to attract business to Georgia's capital city.

Georgia has been fortunate that some prominent native sons have reached high office (notably President Carter), a fact which has contributed to raising its profile overseas.

"When I mentioned Atlanta, people used to say to me: 'Oh, is that where all the casinos are?', mistaking us for Atlantic City in New Jersey. Either that or people just wanted to talk about the film Gone With the Wind," says Mr Berry.

Atlanta is now better known as a vibrant, modern, pro-business city. And its hosting of the 1988 Democratic national convention is likely to spark more interest, says Mr Berry.

He lists a number of magnets to investment. First and foremost is Georgia's positioning in the middle of the fastest growing area of the US.

The state is extremely well served by Atlanta's Hartsfield International Airport, rivalling Chicago's O'Hare as the busiest in the world. The key role played by Hartsfield is evidenced by the fact that last year 85 per cent of the foreign facilities in Georgia were located within the Atlanta metropolitan district.

Georgia genuinely enjoys a pro-business atmosphere with state legislators working in tandem with companies to provide the best possible climate for commerce. The Department of Trade and Industry points particularly to a favourable and stable tax regime (the state runs a budget surplus) and the low level of unionisation.

Last, and perhaps not least, is what Commissioner Berry calls the "golf in January" factor. The state has a pleasant climate all the year around and is naturally beautiful. It has become almost a cliche in Atlanta that the Japanese are attracted to the area because its lush woodland reminds them of home.

There is no sign of a let-up in foreign interest in investing in the state and in the south-eastern region as a whole. The effects of the weaker dollar are still feeding through and the slashing of US corporate share prices in last October's stock market crash has fuelled a bonanza of foreign buying.

Downtown Atlanta boasts a clutch of foreign banks and other companies

The composition of foreign investment has shifted since the early 1980s when it was heavily concentrated in manufacturing. Later in the decade, the focus shifted to trade, finance (excluding banking), insurance and real estate.

Mr Wesley Devoto runs a private company, based in Atlanta and London, specialising in finding US acquisition targets for British companies in a range between $5m and $50m. He advised Tarmac, a British construction company, on its first US acquisition in 1980. Since then, the Devoto Company has dealt with such well-known British companies as BET, Wolseley and RMC Group.

In investment terms, Mr Devoto has detected a shift in the kinds of acquisitions that British companies make. They used to be very conservative, looking for risk-averse, unglamorous businesses. They shunned high tech in favour of steady companies, for example, in the cement and concrete block manufacturing business.

However, even the cautious British have now ventured into insurance and real estate. Bovis and Beazer are both building residential properties in the state and Laing is putting up office blocks.

The Dutch have been very active in real estate developments and International Business Machines has sold its Atlanta complex to a Japanese company.

The research department at SunTrust believes the emphasis is likely to shift back to manufacturing as 1990 approaches, reflecting not only the weaker dollar but also the competitiveness of US manufacturers after the severe retrenchment during the years of an overvalued dollar and high interest rates.

In January, a Japanese joint venture announced plans to build a 350-employee cotton spinning plant in Tifton, a small town south of both Atlanta and Macon.

That news was particularly exciting for state officials because it was the first time a Japanese investor had decided to build a factory more than 75 miles from Hartsfield Airport.

After the tremendous foreign investment boom in Atlanta, the hope is that the interest will spread to the rest of the state and boost employment there. Already a tremendous variety of foreign firms is doing business outside the Atlanta area.

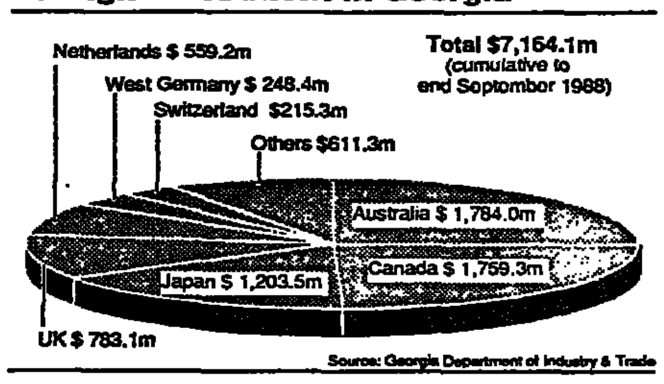
One oft-cited example is the compact audio disc manufacturing plant set up by Denon Digital Industries of Japan in Madison.

In Carroll County, Villa Rica, with a population of just 3,400, boasts a West German manufacturer of vibration absorbers and Formaboard, a Finnish manufacturer of packing materials.

Holox, a Dutch manufacturer of speciality gases and welding equipment, has 11 installations dotted over the state from Savannah to Augusta and, with deference to President Carter, a Swiss company has set up a peanut processing plant in Camilla, Georgia.

Janet Bush

Foreign investment in Georgia



Source: Georgia Department of Industry & Trade

Overseas presence: jobs and factories

	Operations	Jobs	Investment ($m)
Australia	36	2,829	1,784.0
Canada	137	19,251	1,759.3
Japan	255	13,058	1,203.5
UK	201	15,733	783.1
Netherlands	116	5,673	559.2
W.Germany	161	6,806	248.4
Switzerland	41	3,279	215.3
Italy	22	585	166.9
France	80	3,995	124.2
Finland	25	1,196	113.7

Source: Georgia Department of Industry and Trade

The cost of expansion

Continued from page 1

ther out from the capital, bringing welcome new employment to cities such as Macon, Augusta and Columbus.

There is a will to develop other cities. Georgia Tech, for example, has an Industrial Extension Programme which uses 12 regional offices to advise local companies on how to adapt to new technology and design better products. One focus of its work is advice to the apparel industry, a major employer in the southern part of the state.

Georgia Tech also runs a programme to educate engineers from around the state who can take courses by video and through phone-ins, obviating the need to be in Atlanta itself.

Another priority is to develop a more comprehensive system of major highways, which will encourage job and goods mobility throughout the state.

State planning is the new buzz concept in Georgia, and is encapsulated in an initiative launched by Governor Joe Frank Harris called Quality Growth Partnership, which seeks to forge links between all tiers of government and the private sector.

It aims to find ways to accommodate the high growth in some areas in the state without allowing a deterioration in the quality of life, and to "devise programmes to upgrade the quality of life in low-growth areas through innovative and realistic economic development programmes".

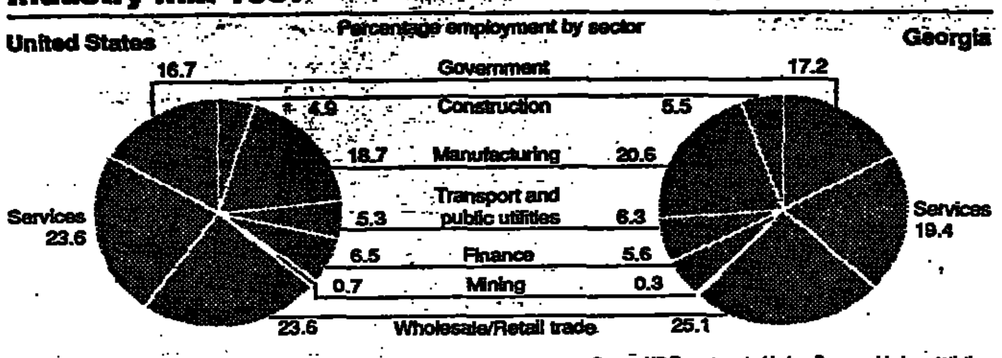
The Partnership places considerable emphasis on protecting the environment. Particular areas which need to be addressed include upgrading water supply and storage systems, improved management of the state's considerable forest land and the protection of coastal marshes, beaches and "areas of historic or aesthetic significance".

State planners are not always so interested in aesthetics, but Georgian politicians, appear genuinely to care about preserving the natural beauty of the state's varied countryside.

As Mr White, of Georgia Trend, observed: Georgians, in and outside Atlanta, want to be in the big league, "but not necessarily at any cost".

Janet Bush

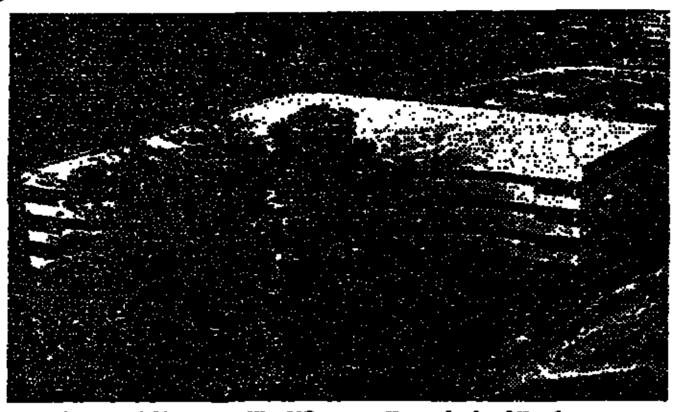
Industry mix 1987



Source: US Department of Labor, Bureau of Labor statistics.

TELECOMMUNICATIONS

Atlanta profits from AT&T's big break-up



The heart of Honeywell's US operations is in Atlanta

PARTLY BY accident and partly by design, Atlanta has developed in the past couple of decades into one of the leading US centres for telecommunications research, development, manufacturing and services.

The sector has benefited particularly in the past five years from the creation of BellSouth when American Telephone and Telegraph divested its local telephone operations to new independent regional holding companies.

Prior to its January, 1984, break up AT&T was a monolithic giant with centralised research, development and manufacturing. BellSouth and its companion regional Bells are, in contrast, full-service autonomous organisations making major capital spending decisions of their own and buying from a wide variety of vendors. Its two telephone operating companies, Southern Bell and South Central Bell, serve 15m customers in nine fast-growing states.

Atlanta-based BellSouth, the largest regional Bell, "can attract other companies here by its purchasing power," says Dr Philip Enslow of Georgia Institute of Technology's School of Information and Computer Science.

The cultural change wrought by the AT&T break-up has been marked, agreed Mr Sid Boren, a BellSouth vice president. "We've achieved a role reversal." In the past, Bell Labs, AT&T's research arm, "got us together and said 'let us show you what the next generation of technology will be.' Now we say to our suppliers, 'Let us tell you what we want you to develop for us'. We can use our purchasing power to drive technology."

When, for example, BellSouth was looking for small digital exchanges to instal in hundreds of small towns across Georgia, it was frustrated by major vendors focusing on only large-scale equipment. They wanted the telephone company to concentrate its network in large exchanges to fit their equipment. BellSouth turned instead to Stromberg-Carlson, now part of Plessey of the UK, for the right product.

Close physical proximity to BellSouth is not a pre-requisite, of course, to doing business with it. Thus, Atlanta's banks, business community and state and local governments need to nurture the budding local telecommunications industry rather than leave its development to chance.

So far, there are some 150 companies in the loosely defined local sector, says Mr Donald Plummer, manager of research and communications at Georgia Tech's Advanced Technology Development Center. The group has expanded by about one-third over the past five years, he believed:

Atlanta's position as a telecommunications centre came about "quite accidently"

Some have been started up at the centre which serves as a university-sponsored incubator to entrepreneurs.

How the sector got started is unclear. "The only explanation I can offer is that Atlanta is a regional centre for representatives, distributors, managers and others in business who need good communications," says Dr Enslow. "We seemed to have achieved critical mass quite accidentally."

Aside from BellSouth and its predecessor companies at the service end, the roots of equipment research and development and manufacturing appear to go back to Georgia Tech which has long played a leading role in electronic communications research. One of the earliest corporate entities in the sector was Scientific-Atlanta, a maker of satellite antennae and other communications equipment, formed in 1951 by a group of Georgia Tech professors.

Subsequently, a number of other local equipment manufacturers were set up by entrepreneurs who grew out of Scientific-Atlanta. Similarly on the software side, Management Science America, a leading computer programme writer based in Atlanta, has spawned several other companies.

Atlanta's brisk economic development in the past couple of decades has made the local climate particularly conducive for high technology, argues Mr Boren of BellSouth. The telephone company itself has always been quick to embrace new systems to help it meet burgeoning demand.

Thus, AT&T often used Atlanta as a field test site. It was the first US city, for example, to have a digital exchange. "Over the years a culture has built up in the company which has made the introduction of new technology very comfortable to our employees," he said.

Today, the 3,300 square mile Atlanta metropolitan telephone area is the largest toll-free local service in the country. Virtually all its exchanges are digital and a high proportion of feeder routes are optic fibre.

Southern Bell will complete next autumn a three-year, $1.5bn capital spending programme to bring the same level of technology to all of Georgia under the slogan "state-of-the-art, state-wide." Its fibre optic network, for example, will almost triple to 117,000 miles.

The goal is to offer, particularly to commercial customers wherever they are, the most up-to-date services to enable them to compete better at home and abroad, explained Mr Walt Sessoms, Southern Bell's Georgia vice president. The state government endorses this philosophy.

Atlanta remains at the forefront nationally. Last spring, for example, it became the first US city to get ISDN service which fully integrates voice, data and video transmission. That and a plethora of other services were combined by Southern Bell into a package to serve delegates and journalists at the Democratic Party's national convention held in the city this past summer.

"It was a mini-laboratory for the future of telecommunications," Mr Sessoms said.

Roderick Oram

A computer assembly plant at Norcross, Georgia

GEORGIA TECH

A long tradition of helping business in the community

AT FIVE minutes to every hour during term time, a steam whistle blasts out across Georgia Tech's campus evoking the sound of a by-gone industrial age.

Seven years ago some faculty and staff members proposed silencing the whistle which marks the change of classes on the Atlanta campus because they felt it was a noisy distraction. Some students stole the whistle until administrators agreed to maintain the tradition.

The incident was only one small sign of the way Georgia Tech has remained true to its industrial roots during its development over the past 100 years into a leading institution. While building an international reputation for research and teaching, it has never lost sight of its role in helping Georgia's private sector to compete.

The Industrial Extension Division, founded in 1960 by the school's economic development laboratory, is involved in some 1,000 assistance projects to companies each year through its 12 regional offices around the state. Typically the projects help the clients apply new technologies to design or make better products.

Georgia Tech is also widely considered one of the most successful proponents of continuing education for people in industry. Last year some 6,000 engineers and others from Georgia alone participated in its 320 programmes. The school has placed a particularly strong emphasis on this type of education, pushing up enrollment by more than 400 per cent over the past five years.

Other major links with industry have been forged through specialised operations such as the Apparel Manufacturing Technology Center. Opened early last year, its initial focus is automatic assembly of military trousers but it will expand into civilian garments to help local clothing companies, a significant segment of Georgia's economy, to compete against cheaper imports.

In similar style, the school has established a $30m Manufacturing Research Centre. New ground was broken in September for its $14.5m building funded by the state government. An additional $15m to equip and run the centre will be raised from corporate sponsors. The centre will help corporate clients develop advanced manufacturing techniques for products such as televisions and other consumer goods. Other centres cover microelectronics and material handling.

To serve as an incubator for start-up high tech companies, Georgia Tech established the Advanced Technology Development Center in 1980. The idea for the centre was inspired by Dr Joseph Pettit, the school's president from 1972 until his death in 1986. As dean of Stanford University's engineering school he came to appreciate the role a university can play when he worked closely with Silicon Valley's fledgling computer and semiconductor industries in the 1950s and 1960s.

The Tech serves as a successful incubator for start-up high tech companies

The centre offers office, laboratory and manufacturing facilities plus administrative and other services to entrepreneurs with promising technology. The help is either charged at cost or is free.

"We look only for those people with novel or cutting edge technology with well defined markets and good growth prospects," says Mr Donald Plummer, manager of the centre's research and communications. "We want to give a fast start to companies in industries with rapidly changing technology."

Over the past eight years, the centre has nurtured 100 companies of which 70 are still operating. The ventures have consistently ranked among the most dynamic and profitable in the state's high tech sector. Currently the centre houses 35 companies of which seven are in telecommunications and five in bio-technology.

One of the most notable companies helped by the centre is Hayes Microcomputer. Though founded before the centre, it has benefitted from the centre's services, Mr. Plummer said, enabling it to grow into one of the world's leading manufacturers of computer modems, and setting de facto industry standards along the way.

Thanks to these and other links with the private sector, Georgia Tech ranks second among US universities in its volume of industrial sponsored research, according to the National Science Foundation. With $22m of sponsorship last year, it was topped only by the Massachusetts Institute of Technology.

Georgia Tech believes favourable comparison with MIT is warranted in a number of areas though it admits its expertise and international reputation is concentrated in fewer fields.

Its total research budget this year is $120m of which $84m is accounted for by the Georgia Tech Research Institute, an on-campus organisation within the overall school. The institute, which has 616 professional staff, concentrates on research while teaching and additional research activity is carried out by Georgia Tech itself.

The institute depends on the US military, primarily the air force, for 72 per cent of its research funds, with other branches of the government chipping in 17 per cent and industry 11 per cent. Though this pattern of funding has led to GTRI's prominence in areas such as radar, its research spans a wide range of fields from artificial intelligence and other computer subjects to advanced materials, manufacturing technology and environmental sciences.

The array of activity and focus on practical industrial applications is the current embodiment of the philosophy of Georgia Tech's nineteenth century founders.

Roderick Oram

MEDICAL SECTOR

The 'Clifton Corridor' impact

ATLANTA TOOK no chances recently when it was trying to persuade the American Cancer Society to move its national headquarters to the city from New York.

Having assembled a highly attractive real estate and financial package, it tried to overcome hidden barriers that might deter urban New Yorkers from moving. For non-drivers, for example, it offered free lessons from the Georgia highway patrol, so they could enjoy suburban America to the full.

In the end, Atlanta beat Dallas and Baltimore and a last-ditch stand by New York for the kudos and benefits of housing the society. Delighted with the coup, Mr Joe Frank Harris, Georgia's governor, declared: "I anticipate the evolution of research, medical, drug and medical device companies which will spin off and support the ongoing research by the society."

Although the society will not conduct research at its premises – its $94m a year research budget will flow to medical centres around the country – its new headquarters will nonetheless make Atlanta an important clearing house for the fight against cancer.

The campaign to attract the society to Atlanta focused politicians' and medical professionals' attention on the resources already to hand and the prospect of developing them further. Many of the main institutions, such as the world famous Center for Disease Control, Emory University School of Medicine and many hospitals, are tightly concentrated along one short-stretch of Clifton Road in north-east Atlanta.

The concept of promoting the "Clifton Corridor" has rapidly gained momentum this year, with the formation of the Biomedical Technology Taskforce representing all the major players.

Emory takes a leading role because of its stature in the community and its huge financial resources, thanks to its primary benefactor, the Robert W.Woodruff Foundation, which deploys the fortune of the Coca-Cola heirs.

Emory offered the society a $2.5m four-acre site for $1 and said it would build and manage a 300-bed hotel and conference centre funded by private investors. The foundation gave the society $1m to defray moving costs.

Other major changes are underway along Clifton Road. Most significantly, the CDC is benefiting markedly from a federal law passed in 1987 to stimulate the transfer of technology from government research centres to the private sector.

The CDC, which throughout its 42-year history has worked informally with companies to develop, for example, diagnostic tests, can now "enter into more substantial" relationships with companies, says Dr Walter Dowdle, the centre's deputy director.

"People around here are very excited. It has had an enormous stimulative effect on the work in our own laboratories. We have entered into collaborative programmes people could not have conceived of two years ago," he says.

He was more cautious, though, on the direct impact on Atlanta. "It is too early to say what effect this might have on the local economy." Given the typical nature and expertise of CDC researchers, for example, it seems unlikely that many will take an entrepreneurial initiative and start their own businesses.

The sector has been further boosted by new alliances between local institutions

CDC's budget has doubled in recent years to about $1bn, largely because of national efforts to tackle Aids. Much of the money is funnelled into research organisations outside Atlanta, resulting in near stable local spending levels over most of the past decade.

Nonetheless, enormous productivity increases in medical research have allowed it to substantially increase its activity. Twenty-five years ago, for example, it took six people two days to run five virus tests on 300 blood samples. Now advanced technology allows one person to perform the same task in half a day.

Dr Dowdle has noticed another important change. When he arrived at the CDC in 1960, the organisation found it "extremely difficult" to attract scientists to the South. The maturation of Atlanta over the past 15 years, though, has eradicated the gaps in amenities and culture. Now the only problem, at least for senior laboratory researchers, is the low government pay scale.

A further boost to the medical sector is coming from new alliances between local institutions. Georgia Tech and the Emory Medical School, for example, formed a bio-engineering centre 18 months ago which will engage in research and offer combined medical and engineering degrees. The wide variety of research topics underway include the use of artificial intelligence, computer modelling and image creation to improve diagnosis and surgical procedures and the study of fluid mechanics in artificial heart valves.

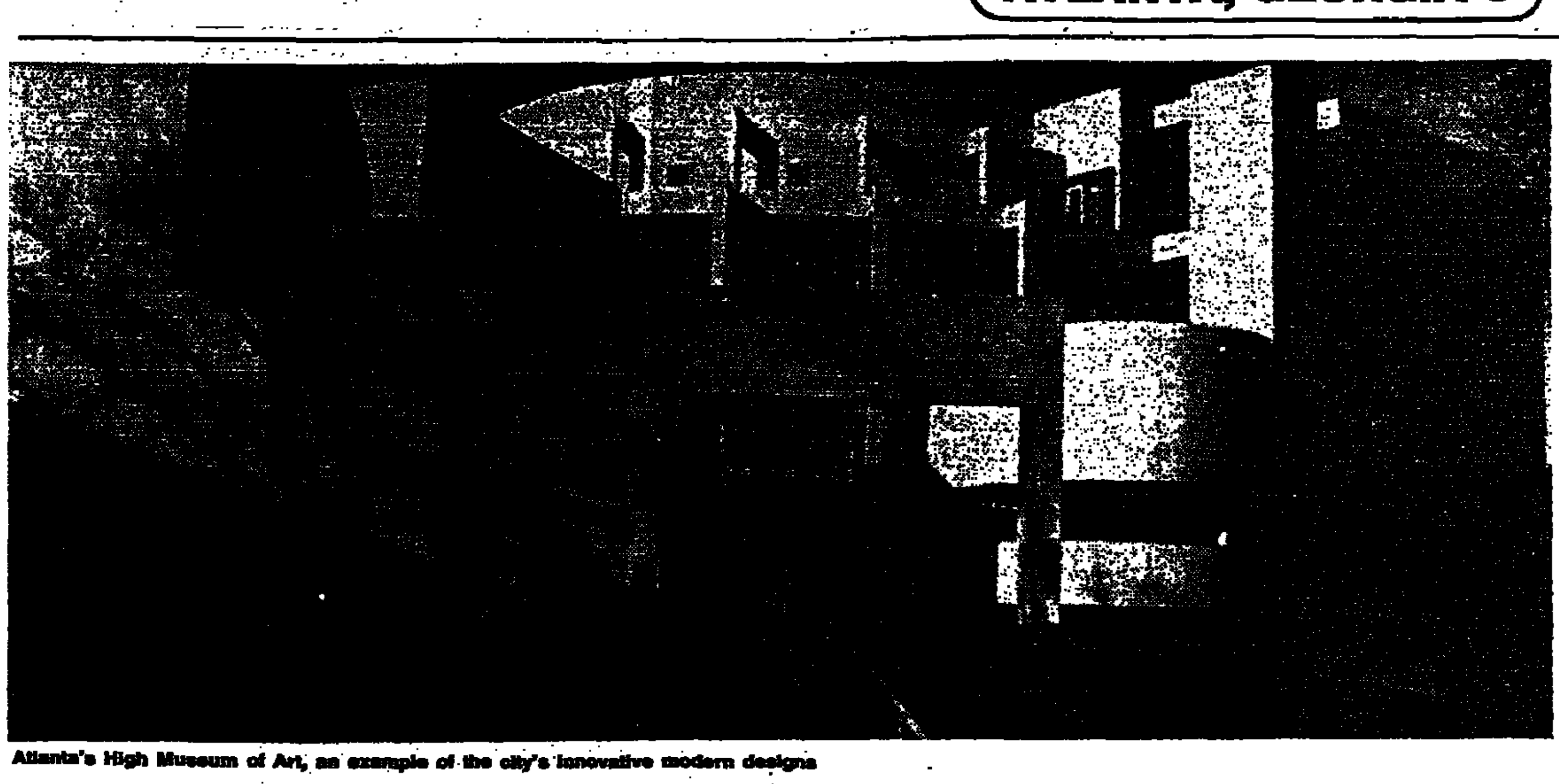
The establishment of the centre is an attempt to generate the same sort of stimulus to research and corporate activity that is found in Boston with Harvard and Massachusetts Institute of Technology and, at Stanford, California, with Stanford University's medical and engineerring schools and the local Veterans Administration hospital.

"We are opening the door to the possibility," says Dr Jim Toler, the Atlanta centre's co-director. These growing links between local institutions should make the area more attractive to corporations.

So far private sector companies are thin on the ground. The biggest challenge facing promoters of the Clifton Corridor is the use of its high institutional standing to develop a thriving corporate sector.

A hopeful sign in that direction came recently when a $50m bio-medical venture capital fund run by a leading medical company decided to relocate to Atlanta.

Roderick Oram



Atlanta's High Museum of Art, an example of the city's innovative modern designs

REAL ESTATE

A badly skewed metropolis

HAVING SURVIVED a mid-1970s real estate crash of the type that is today traumatising Dallas, Atlanta has grown into a major, sophisticated metropolitan area. Success, though, has created real estate growth patterns that could hamper development.

The main problem is the disproportionately strong push to the north, an old pattern exacerbated by the recent extended period of growth. With the south of the city languishing in contrast, the downtown area is no longer at the physical centre of the metropolitan region. Among other large US cities which like Atlanta are free from natural boundaries, few have become so badly skewed.

Even the impressive success of Hartsfield International Airport, the metropolitan area's engine of growth, has failed to counteract the northward push. Compared with, for example, Chicago's O'Hare airport which has attracted dense office, hotel, industrial, residential and commercial development around it, Hartsfield has had much less impact on its neighbouring communities in the south of the city.

Lacking a geographic or economic explanation for these patterns, Atlantans tend to talk vaguely of historic trends. They mean race: north is white; south is black.

Robust northern growth has badly strained infrastructure, particularly roads. Congestion is frustratingly heavy on major arteries, notably the northern half of the Perimeter Highway, Interstate 285, which encircles the city at a six to 14 miles radius from downtown.

It has also left downtown Atlanta with an undistinguished skyline lacking the dramatically shaped buildings that Dallas and several other fast-growing cities can boast.

Hope of countering these trends has been delayed for some years while construction slowed. From a peak in 1984, when developers were adding new class A office space at three times the rate of absorption by tenants, construction had fallen by last year to only half the leasing rate.

With supply and demand now in better balance, the vacancy rate of office space in the metropolitan area has dipped to around 18 per cent, just below the national average. Rental rates remain slightly lower than those in other big cities such as Chicago and Dallas.

Undeterred by the possibility of a national recession in the next few years, developers are flexing their muscles again, notably downtown which has gained no new major office building since the headquarters of Georgia-Pacific, a forest products company, was completed in the early 1980s.

Projects include a doubling of the Georgia World Congress Center, an $158m covered sports stadium, and Equinox, a mixed use $350m development by CSX, a railroad group. The 27-acre Equinox site will extend the downtown area westwards by about half a mile, serving as a magnate for further development, says Mr Tarby Bryant, managing partner of Braemar Group, a real estate merchant bank seeking partners for CSX.

Two miles north of downtown lies one of the city's hottest real estate markets, midtown. The area encompasses some of Atlanta's loveliest old residential areas, its arts centre and Piedmont Park. It has drawn office development, most notably One Atlantic Center which houses the regional headquarters of International Business Machines. Completed a year ago, the 50-storey tower, dubbed by some as the Empire State Building of the South for its pointed top, is the tallest in the city.

Earlier this year it was sold for $300m to Sumitomo Life, the Japanese insurer, as part of the growing trend of foreign investment. Mr Bryant estimates that foreign ownership of major Atlanta office buildings will rise from around 12 per cent now to 50 per cent by 2000. Currently the Dutch lead, followed by the British and Japanese. The 10 Japanese banks in town are also highly active real estate lenders.

Downtown and midtown will benefit from several transportation projects such as big improvements to interstate highways 75,85 and 20 through the city's core. With the completion this summer of the mass transit railway to the airport, terminals are less than a 20-minute ride from downtown.

Rapid transit service will be a boon to a recently announced $150m office and hotel development on a 31-acre site on the northern edge of the airport. The project, the first big complex alongside the airport, is a joint-venture between Balfour Beatty and London Edinburgh Trust of the UK.

These new factors are unlikely, though, to alter development patterns. To a large extent they will be counterbalanced by other road projects in the metropolitan area under the city and state's "free the freeways" campaign. Further down the road Atlanta hopes to get a full Outer Perimeter highway at a radius of perhaps 50 miles from downtown. Land purchases have already begun in the north-east quadrant which can only encourage more development there.

Most significant of all, the city is thinking of building a second airport to take the strain off Hartsfield. Location has not been decided yet but the city has already bought two large tracts of land, one to the west and the other to the north.

Roderick Oram

AGRICULTURE/FORESTRY

Southern prosperity comforts farmers

SIX YEARS of economic expansion have strengthened the role of southern forest product companies as the most dynamic and promising members of the national industry. Nowhere has the progress been more apparent than in Georgia which has the lion's share of the business.

The South now accounts for 46 per cent of the nation's lumber output and 70 per cent of its wood pulp. Over the next two decades, more than two-thirds of the US industry's investment will probably flow to the region.

In Georgia alone, the forestry sector employs 80,000 people and generates nearly $9bn of activity a year split evenly between lumber and pulp. Climate and terrain are the state's key advantages. Compared with north western states, Georgia's trees grow to harvest height in one-third the time, logging costs are half and timber costs roughly $150 per thousand board feet against $250, according to Georgia-Pacific, a major forest products company headquartered in Atlanta.

But whether Georgia has sufficient timber to fuel even faster growth is a topic of hot debate. Government forestry services and academics believe the forecast decline in wood stock through to the end of the century will hamper growth unless forests are better managed.

"We can't believe Georgia can increase its market share on present trends," says Dr Fred Cubbage of the University of Georgia's School of Forest Resources. The state's forest service believes reforestation of marginal farm land, more replanting of harvested areas and other actions would allow the annual timber yield to rise by 50 per cent without reducing stocks.

Though many in the industry acknowledge that the state's forests will shrink a little for a few decades, they believe supply will be adequate. After all, Georgia has 24m acres of forests, more than any state in the US. Moreover, any shortage of softwood pulp could be made up by a partial switch to hardwood.

"Our own analysis is a little more optimistic than the government's," says Mr Rich Good, Georgia Pacific's investor relations officer.

The company's own results graphically underscore the industry's prosperity this decade. Its net profits soared from $75m on sales of $6bn in 1983 to $458m on sales of $8.6bn last year during which period it expanded its pulp and paper capacity by 77 per cent through construction and acquisition.

Like its forest products companies, Georgia's farmers have also been enjoying a buoyant period. Those in the southern part of the state, who constitute the bulk of commercial growers, largely escaped this summer's national drought

The Sunbelt Expo in Georgia is the largest farm show of its kind in the south-east US, attracting some 250,000 visitors

thanks to extensive underground water reserves and irrigation systems. Those in the north, however, were hard hit because they rely on surface water.

But some exceptionally dry summers during the 1980s have caused shallow wells to dry up, raising long-term concerns about underground water reserves. A law passed this year requires, for the first time, users to register their wells with the state government as a initial step in a more watchful policy.

Abundant water is, for example, one reason peanuts are Georgia's number one cash crop representing about 43 per cent of the US harvest. It also ranks top in the nation in pecans and combined poultry products although it is second to other states in specific categories such as eggs and broiler chickens.

In total, the state's annual harvest is worth about $6.5bn at farm-to-market prices. Related agricultural processing and businesses push the total sector to about $16bn, making it the state economy's largest.

Cotton, the state's staple crop until bollweevils speeded diversification, is making a rapid comeback with the help of new insect resistant plants, favourable prices and its usefulness in crop rotation with soybeans.

An estimated 300,00 acres are now under cotton compared with a low of only 150,000 acres in the early 1960s and a high of 5m acres shortly after the Second World War.

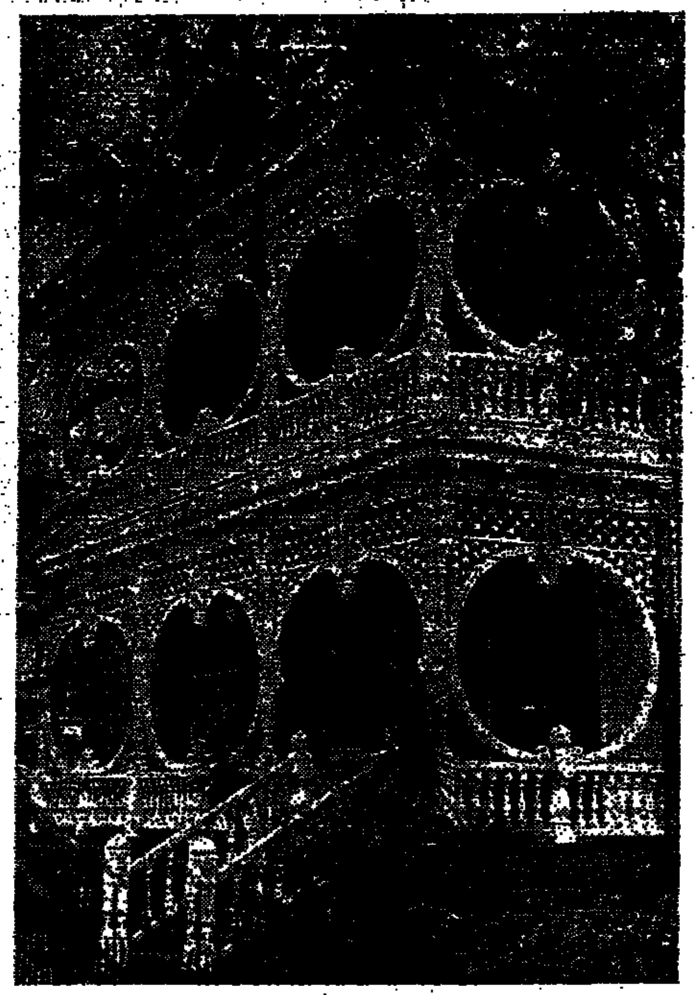
"We feel we have a real capability here to produce cotton competitively," says Dr William Flatt, Dean of the University of Georgia's College of Agriculture. The necessary infrastructure is being rapidly rebuilt with new highly efficient cotton gins and other equipment.

Another key development is the evolution in the pattern of farm ownership, Dr Flatt said. Middle-sized farms of between 50 and 250 acres acres are being increasingly supplanted by bigger and smaller units. Large-scale farmers and agribusinesses are active purchasers of farms, pushing up the average size of a Georgia farm to 253 acres. The small end of around 30 or 40 acres consists increasingly of part-time farmers who are often urban professionals or rural residents for whom farming is a sideline to other work.

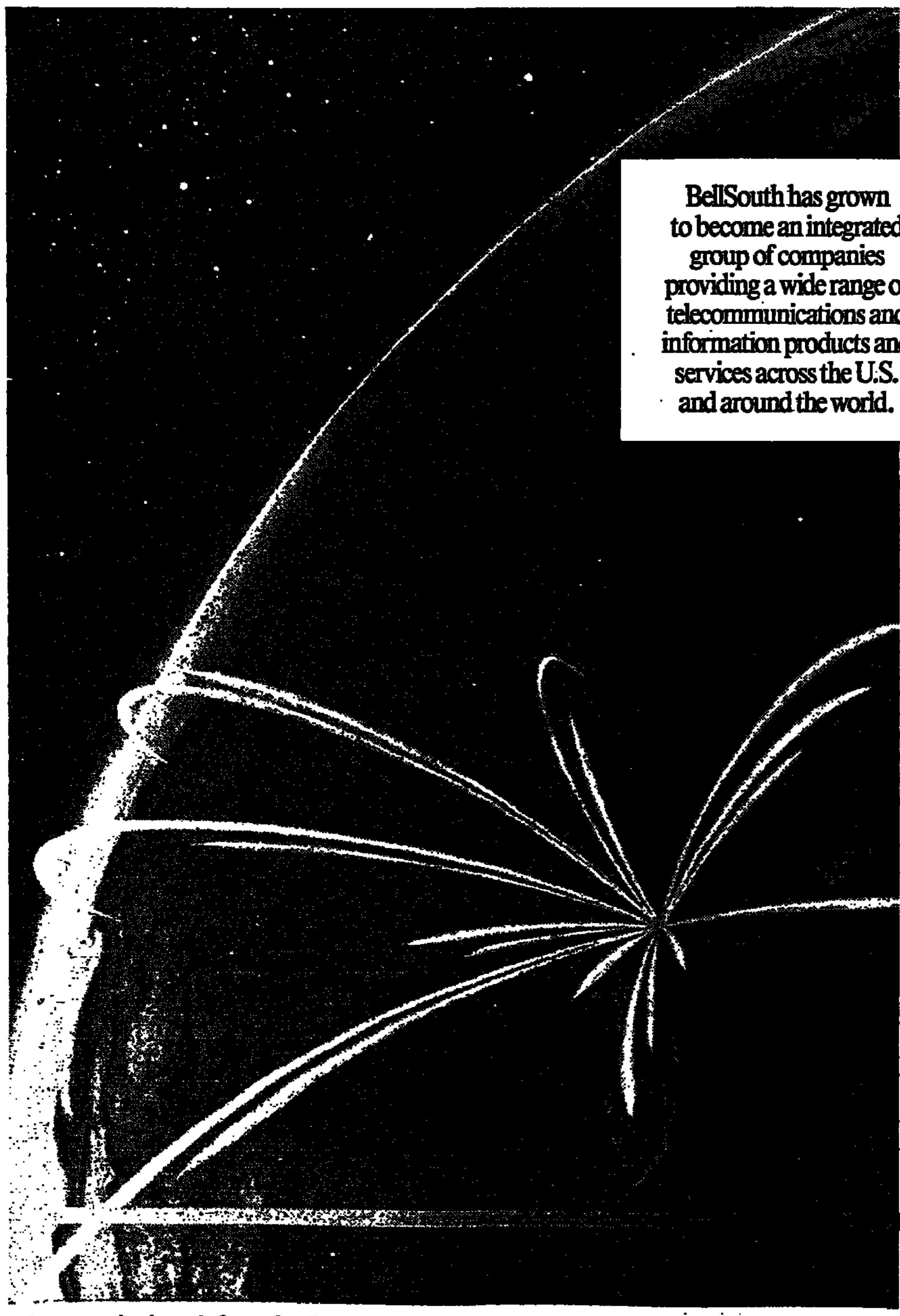
Overall, Dr Flatt believes the state will maintain its high productivity and leadership in the region's agriculture. In addition to natural attributes of soil and climate, he credits some of the success to state university research and farmer education services. Through offices in each of Georgia's 159 counties, the extension service undertakes yearly some 5m hours of work with farmers.

Georgia's role is exemplified, he believes, by the Sunbelt Expo, a three-day farm show at Moultrie, Georgia, which is the largest of its kind in south-eastern US attracting 250,000 visitors each autumn.

Roderick Oram



The many attractions of Georgia include (from left): historical buildings in the rich green Savannah region; the Springer Opera House, a restored Victorian theatre where Franklin Delano Roosevelt once appeared; and the Okenfenokee National Wildlife Park, the largest national wildlife refuge in eastern US



TOURISM

Old Georgia image gone with the wind

THE DRIVE to attract tourists to Georgia has come a long way since 1984 when the state ran a series of television advertisements consisting of old footage of country scenes and the slogan: "Adventures into the Unknown."

Those early black and white advertisements did little to conjure up a Georgia painted in the vivid colours and rich history of the old South; redolent of the decadence of Scarlett O'Hara and Rhett Butler; a Georgia of natural splendours from the trout streams and lush forests of the northern mountains to the sepulchral silence of the Okefenokee Swamp in the south; a Georgia which boasts as native sons and daughters some of America's greatest singers and musicians – Otis Redding, soprano Jessye Norman and Ray Charles.

It is the state's musical talent which was commandeered to present a new face to potential visitors. In 1986, the state bought the rights to Ray Charles' most famous hit, Georgia on my Mind, which was re-recorded by the man himself and then used as background music to a new generation of slick television advertisements; run extensively during the Democratic party's national convention in Atlanta in July, and as the state's new slogan.

The state has always seen thousands of visitors come and go. Many of those, however, were simply passing through on their way to Florida's white beaches while others came to attend conventions in Atlanta, did their shopping and went home again.

"Georgia has always had a positive image among Americans. They see it as the heart of the Old South, the home of Gone with the Wind. It is known for its business opportunities and its convention facilities but not as a vacation place," explains Mr Gary Womack, advertising director of the Department of Industry and Trade's tourist division. "A few years ago, we had a real task on our hands. Even Georgians were going out of the state for their vacations."

The tourism division, headed by Ms Hannah Ledford, has made good progress in attracting visitors to Georgia. A study covering 1987 shows that tourists spent $8.67bn in the state during the year, a 7.1 per cent increase over the previous year. Tourism accounts for more than a quarter of a million jobs within the state and generates about $750m in taxes.

The state's tourism industry is still not nearly as highly developed as its condominium-bound southern neighbour Florida but, to an extent, this has been the result of deliberate policy.

A case in point is the series of islands which create a natural barrier from the mighty Atlantic Ocean on Georgia's coastline. Several of these are owned by the state which wants to preserve them as wildlife sanctuaries, free from development.

Sapelo Island is the home of the University of Georgia Marine Institute, which specialises in marine and marshland studies, while Cumberland Island to the south has been established as a National Seashore and is protected from developers.

Here, loggerhead turtles come ashore during the summer to lay their eggs and, inshore, a cornucopia of wildlife roams including armadillos, raccoons and wild horses.

There are, however, lovely resorts on the islands of St Simons, Little St Simons, Jekyll and Sea Island, site of the world famous Cloister hotel. There are gracious old plantation houses, sizzling seafood restaurants, water sports, sunbathing and numerous fine golf courses.

The state's rich musical talent has been used to attract more tourists

Golf is almost an obsession in Georgia, from the annual masters in Augusta to the fact that 90 per cent of the world's golf carts are manufactured in the state. The tourism division lists 150 golf courses around Georgia.

There is endless variety for holidaymakers who like the great outdoors. In the northern mountains, tourists can hang-glide off Lookout Mountain, fish for trout, go white water rafting or canoeing or go horse riding.

In autumn, Georgia's forests are a major attraction, rivalling the woodlands of New England.

In winter, the Sky Valley has the southernmost ski slopes in the US, although natural snow fall sometimes has to be supplemented by the artificial variety.

"The Carolinas have to use artificial snow as well," says Mr Womack. "But we probably use more of it!"

Georgia's temperate climate produces a profusion of flowers all year around. In March, the beauty of Macon's 70,000 Yoshino cherry trees rivals Washington's tidal basin. Fort Valley, in the heart of Georgia, bursts into peach blossom in June and camellias bloom from November right through until March.

Georgia, like other southern states, is proud of its history and there is a plenty for visitors to explore, from Savannah's elegant Georgian mansions to the ante-bellum estates in the state's heartland and the old plantations to the south-west.

For students of more recent events, Atlanta offers two fascinating centres of social and political history: the Carter presidential centre, which offers an interesting glimpse into the US presidency; and the Martin Luther King centre, where the civil rights leader is buried.

Janet Bush